

City of Rochester, Minnesota

*Comprehensive Annual Financial Report
For The Year Ended December 31, 2001*



CITY OF ROCHESTER, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

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Cover Photo

The return of the United States flag to full mast holds new meaning for Rochester's citizens following the September 11th terrorist attacks on America.

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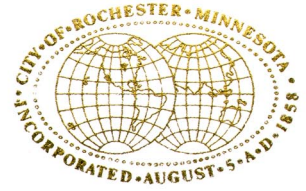
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ROCHESTER

Minnesota



May 24, 2002

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To the Honorable Mayor, Members of the Common Council, and the Citizens of the City of Rochester:

We are pleased to submit this Comprehensive Annual Financial Report of the City of Rochester, Minnesota, for the fiscal year ended December 31, 2001. Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the report is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operation of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections:

1. The Introductory Section, which is unaudited, includes this transmittal letter, the government's organizational chart and a list of the City's principal officials.
2. The Financial Section includes the general purpose financial statements, the combining and individual fund and account group financial statements and schedules, and the independent auditor's report on the financial statements and schedules.
3. The Statistical Section, which is also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

The organization, form and contents of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board, the Government Finance Officers Association of the United States and Canada, the American Institute of Certified Public Accountants, the State Auditor's Office - State of Minnesota and the City Charter.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

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REPORTING ENTITY AND ITS SERVICES

The financial reporting entity includes all funds and account groups of the City of Rochester. Rochester Public Utilities is a department of the City of Rochester and is therefore included in the Proprietary Funds section of this report. There are no legally separate entities that meet the requirements of being considered a component unit of the City.

The City provides a full range of services authorized by state statute or city charter. These services include police and fire protection, construction and maintenance of streets, electric, water, sanitary sewer, storm sewer and downtown parking utilities, airport and transit services, parks and recreational and cultural events, and general administrative services.

The City of Rochester, incorporated on August 5, 1858, is governed under a charter adopted August 22, 1904. The Common Council is composed of seven Council members. Six Council members are elected by ward and the president is elected at large, all serving four-year terms. The government currently has a land area of 43 square miles and a population of 88,858. The government has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

ECONOMY AND OUTLOOK

Located 78 miles southeast of Minneapolis and St. Paul, Rochester's strong economy is built around world-renowned health care, cutting-edge technology, agriculture and agribusiness. As home to the Mayo Clinic and IBM Rochester, the City has developed into an economic growth center and the cultural hub of southeastern Minnesota. Its many recreational and cultural activities draw people from southeastern Minnesota and northern Iowa. Add these benefits to a low crime rate and an exceptional school system and it is easy to see why *Money* magazine continues to rank Rochester in the top places to live.

Continued strength in the health care sector and the significant stability in local technology employers despite retrenchment nationally in that sector combine to drive remarkable growth. According to the 2000 census data, the growth in Rochester employment from 1990 to 2000 was 50% faster than the national rate of growth and 24% faster than the state of Minnesota as a whole. State demographer population estimates show Rochester's 2001 population was 3.6% higher than last year's official census and 15% higher than just five years ago. Rochester is clearly on line to become the State's third largest city.

Major Employers - Mayo Foundation. Mayo Foundation, the largest employer in Rochester, provides health care services for more than 500,000 patients each year. These patients come from all 50 states and more than 150 countries. Mayo provides comprehensive hospital and outpatient services at each of its three major locations -- Rochester, Minnesota; Jacksonville, Florida; and Scottsdale, Arizona. At each site, clinical practice is closely integrated with advanced education and research programs. Mayo Foundation also includes Mayo Health System, a network of clinics and hospitals in 60 communities in southern Minnesota, northern Iowa, and western Wisconsin.

At the end of 2001, Mayo Foundation's total employment in all locations was over 45,536 full-time equivalents, as the Foundation added more than 1,900 physicians, scientists, students and allied health staff during 2001. Employment at Mayo Medical Center Rochester, which includes Mayo Clinic, Saint Marys Hospital and Rochester Methodist Hospital, was nearly 26,209 by the end of 2001, up from 24,587 the year before. Over the past 10 years Mayo has created an average of 800 new jobs per year.

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Mayo-Rochester continued to be the largest revenue generator, responsible for 53 percent of Mayo's overall \$3.4 billion in 2001 patient revenue. Patient revenue was up 11% from the prior year as patient visits increased by nearly 95,000 from the year 2000. Income after expenses from patient care totaled \$115.3 million in 2001.

Income from current activities, which accounts for all operational activities, was \$53 million, an increase from \$16 million in 2000. Investment returns, while better than industry standards, was negative for the year. As a private, not-for-profit foundation, any excess of revenue over expenses remains with Mayo, helping fund the ongoing replacement and growth in working capital, research and education endowments, facilities and equipment.

Mayo Medical Center continues its extensive construction program. The 20-story "Gonda" building opened at the subway and first floor levels in October of 2001 as the exterior work drew to a close. This nearly 1.4 million square foot clinical building will see a phased move-in over the next several years. Major remodeling of the Mayo Clinic Building has begun on a floor-by-floor basis as sections are moved into the Gonda building. Additionally, Mayo Clinic Rochester is just finishing up an additional parking ramp to serve both its growing patient and employee needs. Altogether, Mayo Foundation occupies over 11 million square feet in Rochester, or about 2.5 times the size of the Mall of America in Bloomington, MN.

Major Employers - IBM Rochester. IBM's facility in Rochester plays a strategic role in the company's e-business strategy. Its predominant mission is the development, manufacture and support of IBM eServer and storage products. The Rochester laboratory is also involved in cross-platform software development for other IBM products. IBM inventors in Rochester have earned more than 1,800 U.S. patents over the years for product innovation, helping the Rochester plant to remain one of the corporation's most profitable operations.

IBM's has, however, felt the retrenchment in the technology sector with its report of a six percent drop in quarterly revenue during the first quarter of 2002. The company has responded with up to 5,300 layoffs occurring worldwide. IBM's Rochester facility realized approximately 200 of these job reductions in the last month. The Rochester facility's employment numbers had already decreased by about 300 earlier during 2001 when IBM sold its optical network switching division to JDS Uniphase. JDS Uniphase plans to open a facility here in Rochester within the year.

At the same time, however, some of the divisions involved in layoffs are also seeking new employees. IBM spokeswoman Laura Keeton explains the cuts as an effort at "skills rebalancing and elimination of redundancies." Despite the technology sector's measurable decline, IBM has gained market share in many of its services areas and views itself as well positioned for the eventual rebound as the general economy begins to pick up speed.

Some 30 IBM divisions are represented by the approximately 5,000 regular employees working at IBM Rochester. The company occupies about 3.6 million square feet of owned and leased space in Rochester (equivalent to about 78 football fields). It is the largest IBM facility in the world under one contiguous roof. IBM remains Rochester's second-largest employer and a significant force in Rochester's thriving economy.

Other Employers. Although Mayo and IBM are the major employers in the City, forty-one manufacturing and service firms in the community report 100 or more employees at the end of 2001. The restructuring of IBM in the early 1990's provided the impetus for numerous start-ups and expansions that continue to add to that employment diversity.

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PEMSTAR, an engineering and contract manufacturing company founded by former IBM executives in January of 1994, has enjoyed stunning growth. The company offers a broad range of services across five industries including Communications, Computers and Peripherals, Medical, Storage and Industrial Equipment. PEMSTAR opened with a single leased factory and design center in Rochester eight short years ago, but has now grown to have over a million square feet in 15 facilities at 13 strategic locations in the United States, Mexico, Asia, Europe and South America.

There is no doubt, however, that the technology retrenchment has negatively impacted recent earnings results for PEMSTAR. The company recently reported a quarterly loss of \$47 million after a receivables allowance adjustment and reductions in purchased manufacturing facilities valuation. The company is currently underway on its plan to recovery through cost and job cutting and growing revenues through new contract business. Most of the job losses will be in its manufacturing facilities outside of Rochester. Even after its recent job cuts announcement, PEMSTAR has grown to around 765 workers in their three Rochester facilities – up from 680 last year – and nearly 4,500 worldwide.

PEMSTAR enlarged its Rochester facility by 96,000 square feet during 2001, bringing its headquarters and combination design and manufacturing center in the Rochester Technology Park to over 250,000 square feet.

Celestica Inc., the world's third-largest contract manufacturer of electronics with over 19,000 employees worldwide, purchased the Electronic Card Assembly and Test plant from IBM in March of 2000. The Canadian-based company hired over 500 regular IBM employees and completed construction on a 200,000 square foot manufacturing facility in Rochester in April of 2001. The company now reports local employment of 800 people at this facility, up from 700 a year earlier.

Housing Development. The recent surge in job creation caused by expansions of Mayo, PEMSTAR, Celestica, the hotel industry, and others, began creating significant pressure on employees' ability to find affordable housing in the Rochester Area. Community leaders joined with the City to establish the "First Homes" program, a private, non-profit project administered by the Rochester Area Foundation (RAF). In addition to the City's involvement with the program, the RAF has raised \$11.1 million (\$5 million of which came from the Mayo Clinic), and are well within reach of their \$12.75 million goal. The total program is expected to finance construction of 500 single-family homes and 375 rental units by 2004. To date, 260 single-family homes and 224 rental townhouses have been approved. It is clear to see that major sectors of the community understand that provision of housing for all members of society is necessary for regional economic success.

Downtown Development. Just one year after closing the City's original 25-year downtown TIF district to new projects, the City has just established its first new redevelopment district in the downtown core. Development agreements were recently completed with a developer to construct a 29-story extended-stay hotel and retail/office complex on the "old library" block. Construction of this \$55 million facility is currently underway.

Building Permits. Total valuation of building permits issued in 2001 of \$388.5 million dropped slightly from the record \$430 million of 2000, but is still the second highest year on record. A new record was set, however, for the total number of building permits at 3,676. The average yearly valuation of all building permits issued in the past decade is \$233 million, which includes \$62 million as the average yearly valuation for new homes constructed. The average permit valuation for a new home in Rochester during 2001 remained at \$135,000.

Independent School District #535 led in permits for public buildings with the new Riverside Central Elementary School at \$8.1 million, Mayo Senior High School remodel at \$7.1 million and Longfellow

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Elementary School remodel for \$1.3 million. Rochester Community & Technical College had permits for a technology center remodel at \$1.1 million and horticulture center addition for \$2.9 million. A \$1 million permit was issued for expansion of the Rochester International Airport.

Permits for medical facilities again accounted for one-third of the total valuation, including these Mayo Clinic projects: \$85 million fit-up for the new Gonda Building, Stabile Building fit-up for \$4.8 million, \$3.3 million Mayo Building alterations, other downtown campus building permits at \$18.9 million and St. Mary's Hospital campus buildings at \$7.8 million. Olmsted Community Hospital and Medical Center obtained permits for \$2.7 million of alterations.

Major industrial projects in 2001 totaled \$12 million for IBM Corporation, including \$4.5 million for building 030 office remodel and continuing curtain wall replacement of 2 buildings at \$3.6 million. A permit for finishing of the Celestica building was for \$7.7 million and PEMSTAR completed its addition for \$5.8 million.

Shopping center construction continued at Broadway Commons for \$4.7 million and Rochester Marketplace for \$1.7 million. Additions were made to Apache Mall for \$3.2 million and Northwest Plaza added for \$1.4 million. A new 14-screen theatre was built for \$4.2 million.

Four new hotels were built in 2001: (2) Extended Stay Americas for \$6.6 million total, Staybridge Suites for \$3.9 million and Sleep Inn for \$2.6 million. The addition of these rooms brings the total number of hotel/motel rooms in Rochester to well over 5,000.

During 2001, 817 permits for single-family dwellings were issued at a total valuation of \$110 million. With 342 multiple units constructed and 83 manufactured homes set up, a total of 1,250 total dwelling units were added last year. Total housing units (including single and multiple dwelling units) for the last 5 years is 5,750, with 60% of the units in the northwest quadrant of the city, 19% southwest, 9% northeast and 12% southeast.

Building permit activity in the first five months of 2002 continues the record-setting pace of the past few years with 412 single-family dwelling permits and 1,656 total building permits issued. Total valuation for this period of \$107.4 million is down only slightly from the same period last year.

Summary. Rochester's economy has shown continued growth and resiliency over the last decade. Though first quarter 2002 reports were somewhat lackluster as the technology sector retrenchment affected local firms, the latest numbers released for April show the jobless rate dropped over a half percent to 3.1 percent, with total jobs of 77,200 closing in on the all-time record of last summer.

The local economy has a tradition of being insulated from economic downturns. The Mayo Clinic and IBM are the foundation for Rochester's economy. Significant diversity exists, however, in Rochester's other service and goods producing employers. They all have helped provide the stability that has enabled the city to maintain our AAA bond rating for more than 20 years. Clearly, Rochester continues to have an enviable economic outlook.

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MAJOR INITIATIVES

For the Year. The 2001 budget program identified and provided for several major programs needed to meet citizens' needs for services and to safeguard the environment in conformity with applicable federal and state standards. These programs included municipal building construction, construction of additional trunk line sanitary sewer and water mains to serve new subdivisions, street construction and reconstruction, affordable housing, and the continuation of the five major projects approved under the local option sales tax that was continued by referendum.

During the Year.

Work continued on the five major projects approved for local option sales tax funding. A total of \$71.5 million was authorized for a water quality protection program, higher education facilities, airport improvements, a civic center expansion, and road improvements.

- Water Quality. Approximately \$22.5 million of sales tax funds are helping extend water, sewer, and stormwater lines and increase existing trunk line capacity. Over 2,000 homes surrounding the City were using septic systems that were built prior to adoption of standards for well and septic system construction. Funds are providing an affordable solution for property-owners to remedy their systems, a reduction in groundwater pollution, and protection for the City water supply. A total of 2,029 properties will be served by these projects already underway. This significant project will have a total estimated cost of over \$60 million when complete. Annexation of affected property will occur and significant in-fill development areas will become available as a result.
- University Center Rochester (UCR). The first \$10.4 million of the total \$20 million in sales tax slated for UCR was spent during 2001. These monies were used to match \$5 million in State funds and construct a Regional Sports and Recreation complex at UCR. This 114,670 square foot state-of-the-art facility opened in the Spring of 2002. It is located on the University campus, and is under an agreement with the City to be used by the community when not in use by the college. The facility is located adjacent to the Fuad Mansour soccer complex completed in 2000 and the baseball diamonds, football practice fields, and football/soccer stadium completed in 2001. This 100-acre sports complex to be shared by the college and the whole community has become one of the largest sports complexes in the Upper Midwest.
- Civic Center Complex. Sales tax funding of approximately \$13.5 million, matched by \$2.8 million in State funding, was used to construct a new 25,000 square foot exhibit hall and a 10,000 square foot lobby expansion on the City's civic center. This high-tech expansion greatly enhances the variety of uses for the facility and is significantly increasing bookings and therefore visitors to the community.
- Rochester International Airport. Approximately \$5.5 million in sales tax funding is being used to match other Federal and State funding for improvements to the airport. The relief runway extension and terminal building remodeling projects were completed in 2000. This year brought the completion of the main runway extension, a fourth general aviation T-hangar, and the initial construction of a new general aviation arrival/departure facility plus the addition of 2 gates at the passenger terminal.
- Transportation Improvements - U.S. Highway 52. This \$100 million State project will require a City cost of \$10 million in sales tax funds for frontage roads and reconstruction of local streets plus additional monies for utility relocations. U.S. Highway 52 in Rochester is a regional traffic

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artery, which has more traffic than any other road in SE Minnesota. The project will reconstruct the roadway surface to six lanes from its current four, replace all bridges and replace entrance ramps to improve safety. Right-of-way purchase is nearly complete with demolitions already underway. Construction is expected to begin as early as the fall of 2002 and continue for up to five years.

Rochester Public Utilities completed construction of a new 49MW gas turbine peak-power electric generation plant. The generator is needed to protect the utility from the extreme prices demanded for purchased power during peak demand times. Coupled with transmission system improvements and renovation of the utility's existing turbine, a utility revenue bond of \$37.2 million was sold in December of 2000 to fund these important projects.

The City completed a yearlong implementation of a new enterprise software system purchased at the end of 2000 to replace legacy financial and human resources data systems. The system was brought "live" on time and on budget on January 1, 2002. These systems will improve both the efficiency of operations and the access to real-time data for our managers. It will also assist in the implementation of new reporting requirements under GASB 34.

For the Future. Most of the sales tax projects, as well as the housing initiatives noted above, are multi-year projects. The staff and construction crews will be busy in 2002 and beyond bringing these projects to completion.

Highway 63 South interchanges at 48th Street and 40th Street will be initiated by the Minnesota Department of Transportation but will require significant investment by the City for interchange and frontage road improvements. These improvements will open up additional commercial development space that is already in high demand due to these plans.

The City is working to develop a comprehensive storm water management plan to address new water quality permitting standards. The program will include regional storm water retention ponds, storm sewer improvements, and possibly a new storm water utility to maintain the system.

A three-story \$8.2 million dollar Rochester Art Center is planned to be constructed adjacent to our civic center and funded by both the City and through fundraising of the local non-profit agency that would run the center.

The City will be working to meet the infrastructure and daily service needs of one of the fastest growing communities in the state. Budgeted capital improvements for 2002 to meet those needs are over \$55 million.

FINANCIAL INFORMATION

All financial transactions of the City are accounted for in specific funds authorized or required by the City Charter, Chapter XI. The City's accounting records are maintained on the accrual, or modified accrual basis, as appropriate. The proprietary fund types use the accrual basis of accounting. The governmental and fiduciary fund types utilize the modified accrual basis of accounting. The notes to the financial statements (Note 1) present a summary of the significant accounting policies.

Single Audit. As a recipient of federal, state and county financial assistance, the City also is responsible for making sure that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

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As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The single audit for the fiscal year ended December 31, 2001 has not yet been completed but we do not anticipate any instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Control. The City maintains management budgeting controls at the subfunction level by an encumbrance system. At the function level, only the Common Council can legally revise the adopted budget. A contingency appropriation is provided for this purpose. Generally, budget amendments will not alter the total expenditure budget of the City. All 2001 amendments, individual and total, were not material in relation to the original appropriation. Expenditure appropriations lapse at year-end. The expenditure budget may not legally be exceeded at the function level of control presented in Form A-3 in the Financial Section of this report. Monitoring of budgets is maintained at the department level by departments or divisions. However, expenditures in excess of the departmental budget require administrative approval. Open encumbrances are reported as reservations of fund balance at year-end.

General Governmental Functions and Fund Balance (Forms BCDEF). A summary of general governmental revenue sources in the General and Special Revenue Funds for the years ended December 31, 2001 and 2000 is presented in the following table:

GENERAL GOVERNMENTAL REVENUES

Revenue Sources	2001		2000		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	%
General Property Taxes	\$ 17,290,397	31%	\$ 11,968,585	22%	\$ 5,321,812	44%
Lodging & Franchise Taxes	2,886,254	5%	3,333,724	6%	(447,470)	-13%
Licenses and permits	2,779,127	5%	2,805,189	5%	(26,062)	-1%
Fines and forfeits	476,688	1%	444,225	1%	32,463	7%
Intergovernmental revenues	15,171,666	27%	14,975,186	27%	196,480	1%
Charges for services	8,182,950	14%	7,950,457	15%	232,493	3%
In lieu of taxes	7,577,049	14%	7,247,020	13%	330,029	5%
Other revenue	1,658,168	3%	5,994,203	11%	(4,336,035)	-72%
Total	\$ 56,022,299	100%	\$ 54,718,589	100%	\$ 1,303,710	2%

Total general government revenues increased just 2% over 2000. Lodging tax decreased in the wake of the September 11th tragedy in New York. Licenses and permits dropped ever so slightly as some of the large multi-year commercial projects such as the Mayo Gonda building had completed most of its permits in the prior year.

In-lieu of taxes increased significantly over last year as the community continued to grow. Increased electric and water consumption increased in-lieu of tax payments while sewer utility in-lieu payments increased \$110,000 as we continue to step up to our stated policy goal of 7% of fee collections.

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The "other revenue" category decreased substantially as the one-time refund of \$4.1 million received in 2000 was not available in 2001. The City received this refund from the merger of the police and fire pension funds with PERA. These monies were used to fund police and fire current expenditures during 2001 and allowed the City to reallocate tax levy funding in that year to the capital improvement program. The return to "normal" funding is reflected above in the reduction in the other revenue category, and increase of the Property Taxes to previous levels.

General governmental expenditures. The following table presents a comparative analysis of the major general governmental expenditures in the General and Special Revenue funds by function:

GENERAL GOVERNMENTAL EXPENDITURES

Function	2001		2000		Increase (Decrease) from 2000	
	Amount	% of Total	Amount	% of Total	Amount	%
General Government	\$ 4,500,540	9%	\$ 4,291,500	9%	\$ 209,040	5%
Public Safety	22,325,851	41%	20,479,801	41%	1,846,050	9%
Public Works/Airport	12,489,479	23%	11,464,730	23%	1,024,749	9%
Library	4,293,090	8%	3,946,256	8%	346,834	9%
Culture	585,589	1%	566,243	1%	19,346	3%
Parks and Recreation	8,744,239	16%	8,270,906	16%	473,333	6%
Economic Development/ Tourism	813,489	2%	823,529	2%	(10,040)	-1%
Community Reinvest./ Unallocated	313,907	0%	327,287	0%	(13,380)	-4%
Total	\$ 54,066,184	100%	\$ 50,170,252	100%	\$ 3,895,932	8%

Total expenditures in these funds increased 8% over the prior year. The increase in the public safety category beyond that of regular salary increases was due to new employee expenses in the dispatch, fire, and building safety divisions. Increases in the public works/airport area reflect additional engineering techs and increased activity in the street maintenance and airport functions. The library department saw an additional staff person plus additional temporary salaries and materials and technology capital expenditures in 2001. Parks and recreation increases were reflected in the expanded Mayo Civic Center, additional activities in the Graham Arena complex and additional staffing in parks and flood control maintenance as ever-expanding green space required care.

Fund Balance. The unreserved fund balance in the general fund as of December 31, 2001, was \$16,330,831 a decrease of \$403,548 from the prior year but still representing a strong 42% of 2001 general fund expenditures. This balance will provide for a gradual service level adjustment should reductions in local government aid or other unforeseen events occur. It also provides adequate cash reserves to assure the City can continue the long-standing policy of providing cash flow for general fund operations with these reserves until general property tax and local government aid revenues are received. As of December 31, 2001, portions of this balance were designated as general contingency for future compensated absences in the amount of \$4,196,731 and for subsequent years' appropriations totaling \$2,316,164.

CITY OF ROCHESTER, MINNESOTA

Because of charter provisions calling for separate administering boards, the library and municipal recreation system departments maintain their own unreserved fund balances in the Special Revenue Funds. Unreserved fund balance for the library fund amounted to \$1,342,211 at the end of 2001, or 31% of expenditures. The municipal recreation system unreserved fund balance was \$983,601 or 11% of expenditures. The municipal recreation system fund transferred over \$1 million to capital improvement projects to improve facilities during 2001 and will focus on rebuilding this fund balance over the coming years.

Debt Administration. Total long term debt outstanding at year-end 2001 and 2000 is as follows:

Debt Issue Type	Balance 12/31/01	Balance 12/31/00
G.O. Tax Increment	\$ 7,444,380	\$ 8,419,380
G.O. Sales Tax	28,383,673	27,625,000
G.O. Wastewater	8,275,000	8,875,000
Electric Utility Revenue Bonds	36,715,000	37,290,000
Notes Payable	867,287	893,243
Total	\$ 81,685,340	\$ 83,102,623

On September 15th of 2001, the City issued \$8,275,000 of General Obligation Revenue Bonds to refund \$8,250,000 General Obligation Revenue Bonds of the Sewer Utility. This refunding reduced annual debt service payments by the utility by nearly \$100,000 and resulted in a present value gain of \$821,894.

On November 28th of 2001 the City issued a \$2,500,000 General Obligation Sales Tax Revenue Note for construction of 50th Avenue NW improvements. This note is tied to a loan agreement with the Public Facilities Authority (PFA) of Minnesota. The PFA purchased the bond and will provide the funds for this project at 2.83% per annum. No monies were drawn on this note as of 12/31/01.

All other debt was retired according to their respective repayment schedules. The reader should refer to the notes to the financial statements (Note 7) for a summary of the City's bond transactions for the year.

Bond Rating. In 1977, the City's general obligation double A credit rating was revised to a triple A by both Moody's and Standard and Poor's. The City has consistently maintained those ratings for the last 25 years. Bonds rated triple A are considered to be of the best quality and therefore incur the lowest interest costs when borrowing. As part of the City's refunding bond issue during 2001, both Moody's and Standard and Poor's completed a rating review of the City's debt obligations. The City's current bond ratings for both general obligation and utility revenue bonds outstanding are as follows:

	Moody's Investors Service	Standard & Poors	Fitch Investors Service
General Obligation Bonds	Aaa	AAA	
Electric Utility Revenue Bonds	Aa3		A+

CITY OF ROCHESTER, MINNESOTA

Capital Project Funds (Form H). The Capital Projects Funds are established to receive all taxes levied, and such other monies directed by the Common Council including proceeds from the issuance of general improvement bonds, and to use these monies for the acquisition of lands, improvement and construction of buildings, bridges, and other permanent improvements. The capital projects approved in the six-year Capital Improvement Program are accounted for in these funds. It has been Common Council policy to allocate general property taxes and operating transfers for capital improvements and debt service requirements, thereby avoiding a "roller-coaster" effect on the tax levy and saving interest cost on bonded debt.

Improvement construction includes sewer and water construction, streets and street improvement, curb and gutter, sidewalks, and storm sewer projects. Improvement construction is reported in the Capital Project Funds in accordance with Statement No. 6 of the Governmental Accounting Standards Board.

Capital Project expenditures and other financing uses during 2001 totaled, \$39,297,933 down from \$49,405,712 in 2000, but still at a considerable pace as the expenditures on the sales tax projects noted above continued. A breakdown of those expenditures by category as well as funding sources can be found in Form H-2 of the financial statements.

The six-year Capital Improvement Program is reviewed annually and revised, as necessary. The annual review assures that the program will be a continuing part of the planning process and that it will be consistent with changing demands as well as changing patterns of cost and financial resources.

Enterprise Funds (Form I). The City's enterprise funds were established to account for activities of government units that are self-supported through user-charges. The City operates the following enterprise operations: parking utility, municipal electric and water utility, and the sewer utility. The electric and water services, comprising the Rochester Public Utilities (RPU), are under the direction of the Board of Public Utilities. Governmental accounting principles require these operations to be included in the annual comprehensive report of financial operations of the various City functions established by City Charter. A separate annual financial report has also been issued for these enterprise funds.

All of the enterprise funds make in lieu of tax payments to the City's general fund. Electric and water in lieu of tax payments are determined on a percent of unit sales while the parking utility's payments are based on 9% of gross revenue. The sewer utility initiated in lieu of tax payments in 1998 and is scheduled to ramp up to 7% of revenues. In 2001, in lieu of tax payments for the parking, electric, water and sewer utilities were \$246,913, \$6,515,744, \$321,248 and \$480,000 respectively.

Operating results for all City enterprise funds during 2001 are summarized as follows:

	<u>Parking Utility</u>	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Operating revenue	\$ 3,219,222	\$ 90,193,498	\$ 5,701,580	\$ 9,059,362
Less: Operating expenses	<u>2,051,527</u>	<u>82,329,901</u>	<u>3,717,576</u>	<u>5,416,409</u>
Operating income before depreciation	1,167,695	7,863,597	1,984,004	3,642,953
Less: Depreciation	<u>823,228</u>	<u>3,826,040</u>	<u>511,212</u>	<u>2,860,099</u>
Operating Income	\$ 344,467	\$ 4,037,557	\$ 1,472,792	\$ 782,854

CITY OF ROCHESTER, MINNESOTA

Parking Utility revenues were up nearly 2.5% in 2001 as all ramps saw increased activity. The fund reported operating income of \$344,467, which was off \$41,063 from the prior year, however, as maintenance efforts on the ramps were stepped up.

The Electric Utility realized its third consecutive year of growth in operating income, up to \$4,037,557 from \$949,553 in the prior year as sales increased nearly \$2.0 million while fuel and purchased power costs decreased substantially. There was no rate increase during 2001, however electric rates were just increased by 3% across the board on June 3rd of 2002 as the utility continues to require monies for capital expansion to meet the needs of this growing city.

The Water Utility also realized an increase in operating income for the year. Total sales were up 12.5% as usage increased nearly 100 million gallons for the year. Operating income of \$1,472,792 in 2002 of was up from \$1,177,991 the year earlier.

The Sewer Utility continued its fourth in a series of five approved rate increases averaging 2.5%. These increases were the result of a 1997 rate study and planned system improvements. Total sales increased 5% to just over \$9.0 million with operating income increasing just 3% as increased in-lieu of tax payments and other operating cost increases increased.

Internal Service Funds (Form J). The Equipment Revolving Fund was created by Council resolution for the purchase and replacement of rolling stock equipment. City departments pay rental charges to the fund for equipment used in providing services. The Common Council approves replacements during the annual budget review. Retained earnings in the fund are available for equipment replacement.

The City also established an Information Technology Revolving Fund. Operating much like the equipment revolving fund, departments pay rental charges for computers and other office technological equipment. Reserve cash balances in the fund are used to discount the rental charges thereby reducing and leveling out the taxpayer's cost of providing employees with this needed equipment.

Risk Management. The City's risk management activities are also accounted for in the Internal Service Funds at the Self-Insurance individual fund level. Premiums are paid into the self-insurance fund by all other user departments, and are available to fund claims, claim reserves and administrative costs of the program. Interfund premiums are based principally on claims experience and are reported as quasi-external interfund transactions.

The City maintains a self-insurance program for employee group health coverage and workers' compensation and a high deductible policy on property and casualty coverage. The group health program is limited to losses of \$225,000 per claim with a variable annual aggregate, and the 2001 workers' compensation exposure is limited to \$660,000 per occurrence, both through the use of stop-loss policies. The City's general and auto liability policies retain a \$100,000 aggregate deductible exposure with a \$1,000,000 statutory limit of coverage. The City recognizes a liability on individual claims when a claim is probable and the amount can be reasonably estimated. In addition the City recognizes an estimated liability on claims that have been incurred but not reported. An indication of the effectiveness of the workers' compensation program is that the premium allocation for workers' compensation for 2001 is estimated to be a factor of 0.10 of the Workers' Compensation Reinsurance Association adjusted pure premium exposure base rate. Health coverage premiums were increased 15% in January of 2000 and 15% for 2001 in response to

CITY OF ROCHESTER, MINNESOTA

increased loss experience in this area. Dental premiums were not increased in 2000 and were increased just 2% in 2001. Premiums still remain below average market for comparable coverage.

Employee Retirement Systems. Substantially all employees of the City of Rochester are covered by a statewide defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). Employees participated in one of the following plans during 2001:

Public Employees Retirement Fund (PERF), a cost-sharing multiple-employer plan
Public Employees Police and Fire Fund (PEPFF), a cost-sharing multiple-employer plan

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers qualifying for membership by statute are covered by the PEPFF. All pension disclosures are presented in Note 12 to the Financial Statements.

Cash Management. Cash temporarily idle during the year was invested in U.S. Treasuries, U.S. Government Agencies, commercial paper, AAA-rated municipal bond and a daily money market mutual fund. The amount of interest earned in 2001 was \$10,746,024 compared with \$7,877,689 in 2000, which resulted in a yield of 6.20% in 2001 compared with a yield of 6.11% in 2000. To provide maximum return, substantially all investments are pooled on an interim basis within an Investment Trust Clearing Fund.

The City's investment policy provides that all investment decisions shall be prudent, following safety and liquidity guidelines to minimize credit and market risks. As disclosed in Note 3, all deposits were either insured by federal depository insurance or collateralized. The City does not use leveraging strategies to enhance yield nor does it invest in derivative products for speculative profit. All collateral on deposit was held either by the City, its agent, a financial institution's trust department, or the Federal Reserve Bank held in the City's name. The classification of the category of credit risk is covered in Note 3 to the financial statements.

OTHER INFORMATION

Independent Audit. State law provides that the City may arrange for examination of its books, records, accounts and affairs, or any part thereof, by the State Auditor, or by a Certified Public Accountant. It has been a long-standing policy of the City to provide for a complete annual audit of City records by a Certified Public Accountant. The independent auditors' report has been included.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rochester, Minnesota for its comprehensive annual financial report for the fiscal year ended December 31, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Rochester has received a Certificate of Achievement award each year for the last 33 consecutive years (1968 –

CITY OF ROCHESTER, MINNESOTA

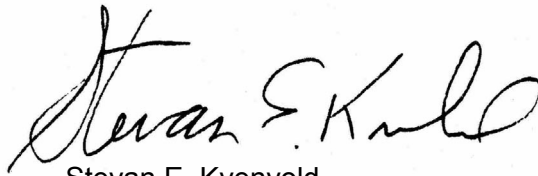
2000). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report could not be accomplished without the professional, efficient services of many dedicated people. We first express our appreciation to all members of the Finance department who assisted and contributed in preparing the report. We also thank the staff of Smith, Schafer and Associates, Ltd. for their assistance and review of the document. And finally, we acknowledge the Mayor and the members of the Common Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Dale R. Martinson
Director of Finance



Stevan E. Kvenvold
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rochester,
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

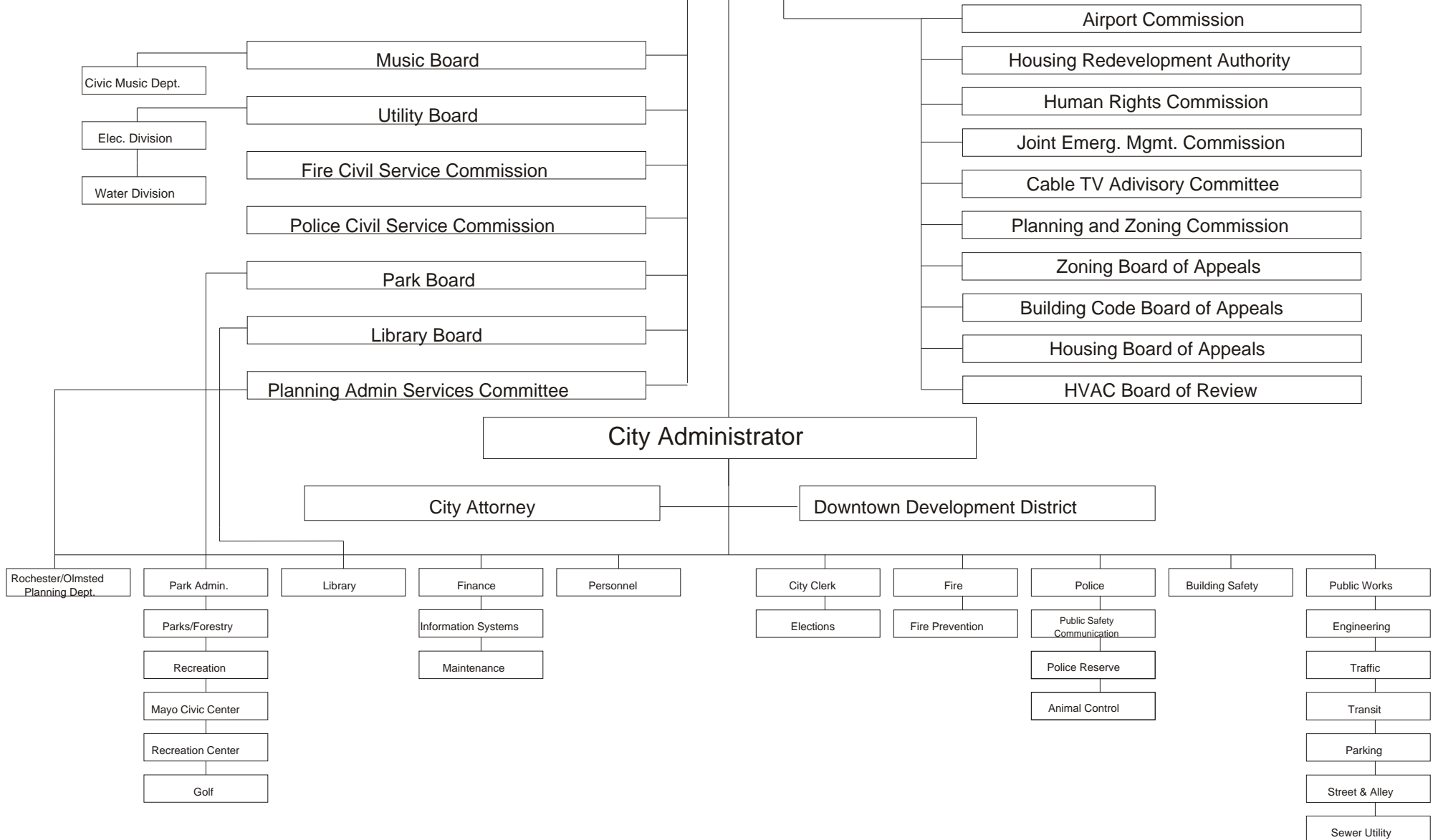


Imelda Cruz
President

Jeffrey L. Esser
Executive Director

Citizens of Rochester

Mayor and City Council



CITY OF ROCHESTER, MINNESOTA

MAYOR - COUNCIL

	Initial Term <u>Commenced</u>	Current Term Expires <u>January</u>
Mayor, Charles J. Canfield	1996	2003
Council President, John W. Hunziker	1994	2005
Councilmember First Ward, Dennis L. Hanson	1999	2003
Councilmember Second Ward, Marcia Marcoux	1996	2005
Councilmember Third Ward, Jean S. McConnell	1987	2003
Councilmember Fourth Ward, Walter S. Stobaugh	1994	2005
Councilmember Fifth Ward, Mack R. Evans	1993	2003
Councilmember Sixth Ward, David H. Senjem	1992	2005

CITY ADMINISTRATOR

Stevan E. Kvenvold

DIRECTOR OF FINANCE - TREASURER

Dale R. Martinson

OTHER CITY OFFICIALS

Terry L. Adkins	City Attorney
Judy Kay Scherr	City Clerk
Richard W. Freese	Director of Public Works
Ronald D. Boose	Director of Building Safety
Roger L. Peterson	Chief of Police
David A. Kapler	Fire Chief
Linda F. Gilsrud	Director of Human Resources
Audrey Betcher	Director Library Services
Roy Sutherland	Superintendent of Parks and Recreation
Steven J. Schmidt	General Manager - Music
Larry J. Koshire	General Manager - Public Utilities
Lyle J. Zimmerman	Superintendent of Water Reclamation Plant

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION



Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

Alan L. Schafer, CPA
Kim A. Mahanna, CPA
Thomas H. Wente, CPA
Jean L. Guyse, CPA
William D. Frudden, CPA
Mark G. Paczosa, CPA
Dean L. Richards, CPA
Jason P. Boynton, CPA
Jason C. Miller, CPA

Steve E. Erchul, CPA
James D. Heydon, CPA
Amy M. Kiehne, CPA
Kerry T. Orton, CPA
Anthony J. Pyka, CPA
Jane M. Quaintance, CPA
Kelly A. Schwede, CPA

Retired:
Richard J. Smith, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Common Council
City of Rochester, Minnesota

We have audited the accompanying general purpose financial statements of the City of Rochester, Minnesota, as of and for the year ended December 31, 2001, as listed in the Financial Section of the table of contents. These general purpose financial statements are the responsibility of the City of Rochester, Minnesota, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Rochester, Minnesota as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2002 on our consideration of the City of Rochester, Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor and Common Council
City of Rochester, Minnesota
Page Two

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the Financial Section of the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Rochester, Minnesota. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Smith, Schaefer and Associates, Ltd.

Rochester, Minnesota
May 24, 2002

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF ROCHESTER, MINNESOTA

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2001
With Comparative Totals for December 31, 2000

	GOVERNMENTAL FUND TYPES			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents (Note 3)	\$1,220,728	\$479,344	\$3,705	\$4,686,088
Investments (Note 3)	14,040,199	6,302,230		66,875,535
Accrued interest receivable	207,328	79,200		660,201
Accounts receivable (net)	357,178	998,684		801,589
Accrued utility revenues				
Loans receivable				4,385,513
Taxes receivable delinquent	100,737	60,824		34,410
Special assessments receivable deferred				8,007,308
Special assessments receivable delinquent	1,179	4,063		62,338
Utility connection charges receivable deferred				54,680
Due from other funds (Note 10)	617,760			1,751,902
Due from other governmental units (Note 4)	1,028,069	392,134		4,068,836
Advances to other funds (Note 10)				3,886,681
Restricted assets (Notes 3 and 5)	23,473	95,340		
Inventory and prepaid items	122,343	98		
Deferred charges and other assets				120,554
Property, plant and equipment, net (Note 6)				
Other debits:				
Amount available in debt service funds				
Amount to be provided for retirement of long term debt				
TOTAL ASSETS AND OTHER DEBITS	\$17,718,994	\$8,411,917	\$3,705	\$95,395,635
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts and contracts payable	\$303,374	\$282,780	\$649	\$993,621
Customer deposits				4,600
Accrued interest payable				
Accrued compensated absences (Note 7)	309,736	41,644		
Other accrued expenses				
Due to other funds (Note 10)	171,474	670,156		961,437
Due to other governmental units (Note 4)	219,554	94,139		52,117
Advances from other funds (Note 10)		1,958,931		1,927,750
Deferred revenue	296,172	263,170		12,664,802
Long-term debt (Note 7)				
Unamortized bond discount and issue costs				
Total Liabilities	1,300,310	3,310,820	649	16,604,327
Equity and Other Credits:				
Contributed capital (Note 9)				
Invested in general fixed assets				
Retained earnings: (Note 8)				
Reserved for future claims				
Reserved for debt service				
Unreserved				
Fund Balances: (Note 8)				
Reserved for restricted assets	23,473	95,340		
Reserved for prepaid items	7,107	98		
Reserved for encumbrances	57,273	28,441		7,684,865
Reserved for interfund advances				3,886,681
Reserved for debt service			3,056	
Unreserved:				
Designated for future compensated absences	4,196,731	1,015,013		
Designated for subsequent years' appropriations	2,316,164	361,250		
Undesignated	9,817,936	3,600,955		67,219,762
Total Equity and Other Credits	16,418,684	5,101,097	3,056	78,791,308
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$17,718,994	\$8,411,917	\$3,705	\$95,395,635

See Notes to the Financial Statements

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	
Enterprise Funds	Internal Service Funds	Trust Fund	General Fixed Assets	General Long-term Debt	2001	2000
\$13,592,626	\$1,564,605	\$22,085			\$21,569,181	\$18,761,521
18,031,917	15,933,953	251,737			121,435,571	\$123,915,203
394,578	200,500	3,000			1,544,807	1,924,725
5,989,568					8,147,019	9,833,273
3,866,267					3,866,267	3,990,781
					4,385,513	4,466,416
1,750	123				197,844	314,946
					8,007,308	8,535,891
					67,580	59,731
					54,680	36,758
1,176,169					3,545,831	4,336,754
12,265					5,501,304	6,371,453
					3,886,681	2,880,105
14,757,361					14,876,174	37,916,189
6,110,396					6,232,837	3,631,215
1,032,071					1,152,625	837,397
180,633,046	8,687,254		\$414,148,321		603,468,621	543,817,153
				\$3,056	3,056	3,705
				41,504,028	41,504,028	41,274,240
<u>\$245,598,014</u>	<u>\$26,386,435</u>	<u>\$276,822</u>	<u>\$414,148,321</u>	<u>\$41,507,084</u>	<u>\$849,446,927</u>	<u>\$812,907,456</u>
\$9,958,921	\$9,104				\$11,548,449	\$10,657,783
273,617					278,217	278,255
201,097					201,097	213,788
2,155,565				\$5,211,744	7,718,689	7,240,810
222,000	2,334,276				2,556,276	2,176,055
1,721,565	21,199				3,545,831	4,336,754
285,337	54				651,201	800,123
					3,886,681	2,880,105
2,145,054	632,376				16,001,574	17,749,302
45,390,000				36,295,340	81,685,340	83,102,623
(465,295)					(465,295)	(393,133)
<u>61,887,861</u>	<u>2,997,009</u>			<u>41,507,084</u>	<u>127,608,060</u>	<u>129,042,465</u>
43,377,166	3,858,668		\$414,148,321		47,235,834	48,563,442
					414,148,321	380,103,954
	6,467,586				6,467,586	6,651,466
2,693,375					2,693,375	2,821,467
137,639,612	13,063,172				150,702,784	140,043,993
					118,813	114,721
					7,205	4,517
					7,770,579	17,499,760
					3,886,681	2,880,105
					3,056	3,705
					5,211,744	4,940,322
		\$276,822			2,677,414	2,556,171
<u>183,710,153</u>	<u>23,389,426</u>	<u>276,822</u>	<u>414,148,321</u>		<u>80,915,475</u>	<u>77,681,368</u>
<u>\$245,598,014</u>	<u>\$26,386,435</u>	<u>\$276,822</u>	<u>\$414,148,321</u>	<u>\$41,507,084</u>	<u>\$849,446,927</u>	<u>\$812,907,456</u>

CITY OF ROCHESTER, MINNESOTA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES,
AND EXPENDABLE TRUST FUNDS**

For the Year Ended December 31, 2001

With Comparative Totals For the Year Ended December 31, 2000

	GOVERNMENTAL FUND TYPES			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds
Revenues:				
Taxes	\$13,751,643	\$6,425,008	\$3,053,965	\$11,066,863
Special assessments				1,305,103
Utility connection and availability				1,667,076
Licenses and permits	2,779,127			
Fines and forfeits	476,688			
Intergovernmental revenues	12,763,443	2,408,223		5,886,012
Charges for services	1,718,581	6,464,369		
In lieu of taxes	7,577,049			
Interest earnings	607,841	324,451		5,325,588
Net increase in the fair value of investments	140,825	62,200		511,299
Miscellaneous revenues	248,184	274,667		3,601,935
Total Revenues	<u>40,063,381</u>	<u>15,958,918</u>	<u>3,053,965</u>	<u>29,363,876</u>
Other Financing Sources:				
Bond proceeds				758,673
Loan proceeds				210,049
Operating transfers in	518,071	334,580	36,005	5,378,794
Total Other Financing Sources	<u>518,071</u>	<u>334,580</u>	<u>36,005</u>	<u>6,347,516</u>
Total Revenues and Other Financing Sources	<u>40,581,452</u>	<u>16,293,498</u>	<u>3,089,970</u>	<u>35,711,392</u>
Expenditures:				
Current:				
General government	4,500,540			
Public safety	22,252,884	72,967		
Public works/airport	10,474,172	2,015,307		
Culture	585,589	4,293,090		
Park and recreation		8,744,239		
Economic development/tourism	813,489			
Community reinvestment and unallocated	313,907			
Capital outlay				38,205,144
Debt service:				
Principal retirement			1,011,005	
Interest and other charges			2,079,614	
Total Expenditures	<u>38,940,581</u>	<u>15,125,603</u>	<u>3,090,619</u>	<u>38,205,144</u>
Other Financing Uses:				
Operating transfers out	2,067,269	2,270,269		1,092,789
Total Expenditures and Other Financing Uses	<u>41,007,850</u>	<u>17,395,872</u>	<u>3,090,619</u>	<u>39,297,933</u>
Excess (Deficit) Financing Sources Over Uses	(426,398)	(1,102,374)	(649)	(3,586,541)
Fund Balances - January 1	16,845,082	6,203,471	3,705	82,377,849
Residual Equity Transfers In				
Residual Equity Transfers Out				
Fund Balances - December 31	<u>\$16,418,684</u>	<u>\$5,101,097</u>	<u>\$3,056</u>	<u>\$78,791,308</u>

See Notes to the Financial Statements

FIDUCIARY FUND TYPES	TOTALS	
	(Memorandum Only)	
	2001	2000
Expendable		
Trust		
Fund		
	\$34,297,479	\$32,258,164
	1,305,103	2,043,747
	1,667,076	2,029,107
	2,779,127	2,805,189
	476,688	444,225
	21,057,678	28,908,979
	8,182,950	7,950,457
	7,577,049	7,247,020
\$14,622	6,272,502	5,119,395
2,400	716,724	1,470,648
9,653	4,134,439	9,437,229
26,675	88,466,815	99,714,160
	758,673	27,625,000
	210,049	
	6,267,450	10,891,212
	7,236,172	38,516,212
26,675	95,702,987	138,230,372
	4,500,540	4,291,500
	22,325,851	20,479,801
	12,489,479	11,464,730
	4,878,679	4,512,499
415	8,744,654	8,284,079
	813,489	823,529
	313,907	327,287
	38,205,144	45,753,554
	1,011,005	2,222,650
	2,079,614	1,168,545
415	95,362,362	99,328,174
	5,430,327	7,417,817
415	100,792,689	106,745,991
26,260	(5,089,702)	31,484,381
250,562	105,680,669	74,196,288
		141,386
		(141,386)
\$276,822	\$100,590,967	\$105,680,669

CITY OF ROCHESTER, MINNESOTA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES**

For the Year Ended December 31, 2001

	<u>GENERAL FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$13,541,489	\$13,751,643	\$210,154
Licenses and permits	1,977,378	2,779,127	801,749
Fines and forfeits	426,199	476,688	50,489
Intergovernmental revenues	12,789,339	12,763,443	(25,896)
Charges for services	1,787,211	1,718,581	(68,630)
In lieu of taxes	7,625,365	7,577,049	(48,316)
Interest earnings	498,004	607,841	109,837
Net increase in the fair value of investments		140,825	140,825
Miscellaneous revenues	<u>225,553</u>	<u>248,184</u>	<u>22,631</u>
Total Revenues	38,870,538	40,063,381	1,192,843
Other Financing Sources:			
Operating transfers in	<u>542,520</u>	<u>518,071</u>	<u>(24,449)</u>
Total Revenues and Other Financing Sources	<u>39,413,058</u>	<u>40,581,452</u>	<u>1,168,394</u>
Expenditures:			
General government	4,613,568	4,500,540	113,028
Public safety	22,265,058	22,252,884	12,174
Public works/airport	10,688,526	10,474,172	214,354
Culture	624,583	585,589	38,994
Park and recreation			
Economic development/tourism	1,017,279	813,489	203,790
Community reinvestment and unallocated	<u>505,544</u>	<u>313,907</u>	<u>191,637</u>
Total Expenditures	39,714,558	38,940,581	773,977
Other Financing Uses:			
Operating transfers out	<u>2,034,269</u>	<u>2,067,269</u>	<u>(33,000)</u>
Total Expenditures and Other Financing Uses	<u>41,748,827</u>	<u>41,007,850</u>	<u>740,977</u>
Excess (Deficit) Financing Sources Over Uses	(2,335,769)	(426,398)	1,909,371
Fund Balances - January 1	<u>16,845,082</u>	<u>16,845,082</u>	
Fund Balances - December 31	<u><u>\$14,509,313</u></u>	<u><u>\$16,418,684</u></u>	<u><u>\$1,909,371</u></u>

See Notes to the Financial Statements

SPECIAL REVENUE FUNDS		
Budget	Actual	Variance- Favorable (Unfavorable)
\$6,386,215	\$6,425,008	\$38,793
2,408,437	2,408,223	(214)
6,478,098	6,464,369	(13,729)
208,000	324,451	116,451
	62,200	62,200
244,750	274,667	29,917
15,725,500	15,958,918	233,418
333,452	334,580	1,128
16,058,952	16,293,498	234,546
184,829	72,967	111,862
2,016,162	2,015,307	855
4,701,882	4,293,090	408,792
8,757,899	8,744,239	13,660
15,660,772	15,125,603	535,169
1,621,316	2,270,269	(648,953)
17,282,088	17,395,872	(113,784)
(1,223,136)	(1,102,374)	120,762
6,203,471	6,203,471	
<u>\$4,980,335</u>	<u>\$5,101,097</u>	<u>\$120,762</u>

CITY OF ROCHESTER, MINNESOTA

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES**

For the Year Ended December 31, 2001

With Comparative Totals For the Year Ended December 31, 2000

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)	
			2001	2000
Operating Revenues:				
Sales and charges for services	\$106,662,862	\$7,968,699	\$114,631,561	\$110,858,468
Miscellaneous	1,510,800		1,510,800	1,327,431
Total Operating Revenues	108,173,662	7,968,699	116,142,361	112,185,899
Operating Expenses:				
Fuel and purchased power	61,665,530		61,665,530	63,392,334
Maintenance and operations	24,285,978	7,332,505	31,618,483	29,498,390
Contribution in lieu of taxes	7,563,905		7,563,905	7,232,879
Depreciation	8,020,579	1,533,128	9,553,707	8,932,044
Total Operating Expenses	101,535,992	8,865,633	110,401,625	109,055,647
Operating Income (Loss)	6,637,670	(896,934)	5,740,736	3,130,252
Nonoperating Revenues (Expenses):				
General property taxes	188,944		188,944	154,886
Intergovernmental revenues	49,319		49,319	49,310
Interest earnings	3,519,744	953,778	4,473,522	2,758,294
Net increase in the fair value of investments	173,800	154,200	328,000	710,000
Interest and fiscal charges	(1,937,205)		(1,937,205)	(601,601)
Gain (loss) on disposal of property	(184,923)	(5,300)	(190,223)	8,039
Other income	1,194,584		1,194,584	60,803
Total Nonoperating Revenues (Expenses)	3,004,263	1,102,678	4,106,941	3,139,731
Net Income Before Operating Transfers	9,641,933	205,744	9,847,677	6,269,983
Operating Transfers In				412,382
Operating Transfers Out	(767,097)	(70,026)	(837,123)	(3,885,777)
Net Income	8,874,836	135,718	9,010,554	2,796,588
Add: Depreciation of fixed assets acquired by capital grants	1,333,755	2,510	1,336,265	1,317,488
Increase in Retained Earnings	10,208,591	138,228	10,346,819	4,114,076
Retained Earnings - January 1	130,124,396	19,392,530	149,516,926	145,402,850
Retained Earnings - December 31	<u>\$140,332,987</u>	<u>\$19,530,758</u>	<u>\$159,863,745</u>	<u>\$149,516,926</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

For the Year Ended December 31, 2001

With Comparative Totals For the Year Ended December 31, 2000

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)	
			2001	2000
Cash Flows From Operating Activities:				
Cash received from customers	*****		*****	*****
Cash received from other City funds	3,465,981	\$6,654,373	10,120,354	9,315,725
Cash received from employees		1,314,326	1,314,326	1,203,930
Cash paid to employees	(15,216,880)		(15,216,880)	(14,512,815)
Cash paid to suppliers	(75,506,566)	(7,099,270)	(82,605,836)	(82,003,063)
Other income	1,274,053		1,274,053	107,742
Other expense	(79,469)		(79,469)	(46,939)
Contribution in lieu of taxes	(7,586,586)		(7,586,586)	(7,122,252)
Net Cash Provided by Operating Activities	12,168,565	869,429	13,037,994	11,771,763
Cash Flows From Noncapital Financing Activities:				
General property taxes	189,589		189,589	153,661
Intergovernmental revenues	49,319		49,319	49,310
Operating transfers in				412,382
Operating transfers out	(2,767,097)	(70,026)	(2,837,123)	(1,885,777)
Net Cash (Used in) Noncapital Financing Activities	(2,528,189)	(70,026)	(2,598,215)	(1,270,424)
Cash Flows From Capital and Related Financing Activities:				
Contributed capital		8,659	8,659	376,174
Proceeds from issuance of long-term debt	8,260,544		8,260,544	36,608,459
Principal payments on bonds	(9,450,000)		(9,450,000)	(575,000)
Interest and fiscal charges on bonds	(1,930,874)		(1,930,874)	(572,188)
Payments on installment obligations	(200,000)		(200,000)	(200,000)
Proceeds from the sale of property		46,451	46,451	44,728
Additions to property	(30,015,764)	(1,729,571)	(31,745,335)	(11,887,452)
Net Cash Provided by (Used In) Capital and Related Financing Activities	(33,336,094)	(1,674,461)	(35,010,555)	23,794,721
Cash Flows From Investing Activities:				
Investment income	3,477,792	1,001,278	4,479,070	2,836,768
Increase in investments	(1,039,873)	(459,000)	(1,498,873)	(3,779,381)
Decrease in investments	3,460,721		3,460,721	6,109,256
Net Cash Provided by (Used In) Investing Activities	5,898,640	542,278	6,440,918	5,166,643
Net Increase (Decrease) in Cash and Cash Equivalents	(17,797,078)	(332,780)	(18,129,858)	39,462,703
Cash and Cash Equivalents, Beginning of Year	46,147,065	1,897,385	48,044,450	8,581,747
Cash and Cash Equivalents, End of Year	\$28,349,987	\$1,564,605	\$29,914,592	\$48,044,450
Classified As:				
Current Assets	\$13,592,626	\$1,564,605	\$15,157,231	\$10,242,982
Restricted Assets	14,757,361		14,757,361	37,801,468
Net Cash and Cash Equivalents, End of Year	\$28,349,987	\$1,564,605	\$29,914,592	\$48,044,450

See Notes to the Financial Statements

Continued

CITY OF ROCHESTER, MINNESOTA

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Totals For the Year Ended December 31, 2000

Reconciliation of Operating Income to Net Cash
 Provided by Operating Activities

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)	
			2001	2000
Operating Income (Loss)	\$6,592,298	(\$896,934)	\$5,695,364	\$3,130,252
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation expense	8,020,579	1,533,128	9,553,707	8,932,044
Other income	1,194,584		1,194,584	107,742
Other expense	(79,469)		(79,469)	(46,939)
(Increase) Decrease In:				
Accounts receivable	971,716		971,716	(2,208,985)
Accrued utility revenues	120,938		120,938	(525,599)
Inventory	(2,547,652)		(2,547,652)	285,901
Prepaid expenses	4,766		4,766	(1,902)
Due from other funds	27,653		27,653	(193,603)
Due from other governmental units	(990)		(990)	(2,524)
Increase (Decrease) In:				
Accounts and contracts payable, operations	(2,080,443)	(94,584)	(2,175,027)	1,996,810
Customer deposits	14,644		14,644	3,626
Accrued expenses and other liabilities	133,236	386,221	519,457	274,306
Deferred revenue	(61,634)	(56,800)	(118,434)	(49,692)
Due to other funds	(207,285)		(207,285)	26,007
Due to other governmental units	(13,845)	(1,602)	(15,447)	44,319
Net Cash Provided by Operating Activities	<u>\$12,089,096</u>	<u>\$869,429</u>	<u>\$12,958,525</u>	<u>\$11,771,763</u>
Non Cash Transactions:				
Receipt of contributed property		\$8,659	\$8,659	\$44,449
Increase in fair value of investments	\$173,800	154,200	328,000	710,000

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION (CONTINUED)

GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2001

NOTE 1: Summary of Significant Accounting Policies

The financial statements of the City of Rochester, Minnesota have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Rochester, Minnesota (the City) is a municipal corporation, incorporated under the laws of the State of Minnesota, and governed under a charter adopted in 1904.

Component units are legally separate entities which are fiscally dependent on the primary government or for which the primary government is financially accountable. As of December 31, 2001, there were no entities that met the requirements to be considered a component unit of the City.

B. Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds), and the servicing of general long-term debt (Debt Service Funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the City (Internal Service Funds.)

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the City is under an obligation to maintain the trust principal. The City's trust fund is classified as "expendable" and is accounted for in essentially the same manner as governmental funds.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets. With respect to proprietary activities, the City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting and Standards Board pronouncements and Accounting Principles Board Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The modified accrual basis of accounting is used by all governmental fund types and expendable trust funds. Under the modified accrual basis of accounting, revenues

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. Inventory items are considered expenditures when consumed.

Those revenues susceptible to accrual are taxes, special assessments, intergovernmental revenues, charges for services and interest earnings. Licenses and permits, fines and forfeits, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City also reports deferred revenue on its combined balance sheet for its governmental funds. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The accrual basis of accounting is utilized by the proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted by Council resolution for the General and Special Revenue Funds.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternately achieved through general obligation bond indenture provisions. Budgetary control for the Capital Project Funds is based on a project completion time cycle rather than an annual basis, therefore budgetary comparisons on an annual basis would not present meaningful information.

Encumbrances represent purchase orders, contracts and other commitments for the expenditure of funds. Encumbrances are not considered the equivalent of expenditures, therefore the encumbrances outstanding at year end are reported as a reserved portion of the fund balance in the General, Special Revenue and Capital Project Funds.

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 28, the budget is legally enacted through the passage of a budget resolution.
4. Any changes to the budget at the functional level must be by formal resolution of the City Council. Generally, budget amendments result in utilization of contingency appropriations and do not alter the total expenditure budget of the City. Monitoring of budgets is maintained at the department level by departments or divisions. However, expenditures in excess of the departmental budget require administrative approval.
5. All budgeted appropriations lapse at the end of the fiscal year. The expenditures may not legally exceed appropriations at the functional level of control presented in the financial statements at Form A-3.

The budget presentations for the current year are as originally adopted, or as amended by utilizing contingency appropriation transfers. There were no material supplemental appropriations during the year.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to respective funds on the basis of applicable cash balance participation by each fund.

Investments are stated at fair value, based upon quoted market prices at the reporting date.

Cash and cash equivalents for purposes of the general purpose financial statements includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

F. Inventory

The materials and supplies inventories are valued at moving average cost on a first-in, first-out basis. Fossil fuel inventories in the Enterprise Funds are valued at the lower of cost on a last-in, first-out basis, or market. Purchases are reported as expenditures when the inventory items are consumed (consumption method).

G. Property, Plant and Equipment

Property, plant and equipment and construction work in process are stated at cost except for assets contributed or donated to the City, which are stated at their estimated fair market value on the date received. Interest incurred during the construction phase is included in the capitalized value of the asset constructed, net of interest earned on the invested debt proceeds over the same period.

General Fixed Assets:

Property, plant and equipment including construction work in process are recorded as expenditures of the General, Special Revenue, and Capital Project Funds at the time of their acquisition. Such assets are then capitalized in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized along with other general fixed assets. No depreciation is provided for these assets.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Property, Plant and Equipment (Continued)

Proprietary Funds:

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life <u>in Years</u>
Buildings and Improvements	10 - 50
Other Improvements	5 - 75
Machinery and Equipment	2 - 25

H. Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Olmsted County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, of the following year, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, June and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable, net of an allowance for uncollectible taxes currently estimated at 3.0% of the outstanding balance. The net amount of delinquent taxes receivable are fully offset by deferred revenue in the Governmental Fund Types because they are not known to be available to finance current expenditures.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Special Assessments

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges of 7.5%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are carried net of an allowance for uncollectible assessments estimated at 3.0% of the outstanding balance. The net amount of delinquent assessments receivable are fully offset by deferred revenue in the Governmental Fund Types because they are not known to be available to finance current expenditures.

J. Utility Connection Charges

The City enters into utility connection agreements with certain residential property owners that elect to convert to City utilities. Under these agreements, property owners may elect to pay connection charges in full or make payments to the City as special assessments over ten years as reimbursement for City made improvements. Utility connection charges are based on a flat rate per frontage foot and are limited to a maximum amount per lot based on lot size. Revenue from utility connection agreements is recognized as the charges become collectible.

K. Compensated Absences Benefits

Vacation, sick pay and compensatory overtime are accrued when earned in the Proprietary Fund Types. In Governmental Fund Types, vacation, sick pay and compensatory overtime are recorded as expenditures and accrued as current liabilities during the year they would normally be liquidated with expendable available financial resources. The remainder of the accumulated compensated absences are reported in the General Long-Term debt account group.

The City compensates employees upon termination, for one-third of their unused sick leave, after meeting certain qualifications based upon length of service and a minimum accumulation of hours. The compensation is computed at the employee's rate of pay at the time of termination, and is applied towards the cost of continuing group health and life insurance coverage. The sick leave liability is estimated based on the City's past experience of making termination payments for sick leave.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Compensated Absences Benefits (Continued)

Unused vacation pay in excess of 40 hours generally expires on each employment anniversary date. Under certain conditions vacation pay will be paid upon termination in good standing. Most employees are also allowed to accumulate compensatory overtime up to a maximum of 80 hours per anniversary period. Certain other employees are allowed to accumulate compensatory overtime up to a maximum of 240 hours.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. The in lieu of tax transaction between the General Fund and the Parking, Electric, Water and Sewer Enterprise funds is computed based upon sewer and parking revenues and commodity sales of the electric and water utilities. Transactions that constitute reimbursement to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

At year end, receivables/payables may result from transactions between individual funds. The short term portion of these receivables/payables are classified on the balance sheet as "due from other funds" or "due to other funds".

The non-current portion of these receivables/payables are classified as "advances to other funds" or "advances from other funds".

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

M. Comparative Data

Comparative data for the prior year have been presented in certain of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. However, complete comparative data have not been presented since their inclusion would make the statements unduly complex and difficult to read.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

M. Comparative Data (Continued)

Certain amounts in the December 31, 2000 totals (Memorandum Only) column have been reclassified to conform with the current year presentation.

N. Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash equivalents, accounts receivable and loans receivable. Credit risk associated with cash equivalents is discussed in Note 3.

The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Rochester.

O. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: Stewardship, Compliance and Accountability

For the year ended December 31, 2001, expenditures did not exceed appropriations in any funds.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 3: Cash and Investments

A. Deposits

In accordance with Minnesota Statutes, the City maintains deposits with national banks, insured state banks or thrift institutions as authorized by the City Council.

Balances at December 31, 2001 are as follows:

	Book Balances	Bank Balances
Insured or collateralized by securities held by the City or its agent in the City's name	\$ 7,845,596	\$ 9,042,274
Collateralized by securities held by the pledging Institution's trust department in the City's name	-	-
Uncollateralized or collateralized with securities not in the City's name	-	-
Total	<u>\$ 7,845,596</u>	<u>\$ 9,042,274</u>

Minnesota Statutes requires that all City deposits be insured, secured by surety bond or collateralized, and the market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments described in Section B. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

B. Investments

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 3: Cash and Investments (Continued)

B. Investments (Continued)

- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

Deposit and investment balances as of December 31, 2001 are as follows:

	Credit Risk Category			Carrying Amount
	1	2	3	
U.S. Governments	\$ 106,940,063	\$	\$	\$ 106,940,063
Commercial Paper	14,967,010			14,967,010
Municipal Bond	13,128,053			13,128,053
Totals	<u>\$ 135,035,126</u>	<u>\$</u>	<u>\$</u>	135,035,126
Investments in money market fund				14,990,311
				150,025,437
Deposits				7,845,596
Change Funds				9,893
Total Deposits and Investments				<u>\$ 157,880,926</u>

A reconciliation of cash and investments as shown on the Combined Balance Sheet follows:

Cash and cash equivalents	\$ 21,569,181
Investments	121,435,571
Restricted assets	14,876,174
	<u>\$ 157,880,926</u>

The City investments are categorized above to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 4: Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2001 are as follows:

<u>Fund Type</u>	<u>Federal Government</u>	<u>State of Minnesota</u>	<u>Olmsted County</u>	<u>Other</u>	<u>Total</u>
General	\$ 33,184	\$ 185,009	\$ 736,937	\$ 72,939	\$ 1,028,069
Special Revenue		359	365,336	26,439	392,134
Capital Project	729,885	2,669,113	669,838		4,068,836
Enterprise		223	12,042		12,265
Totals	<u>\$ 763,069</u>	<u>\$ 2,854,704</u>	<u>\$ 1,784,153</u>	<u>\$ 99,378</u>	<u>\$ 5,501,304</u>

Amounts due to other governmental units as of December 31, 2001 are as follows:

<u>Fund Type</u>	<u>Federal Government</u>	<u>State of Minnesota</u>	<u>Olmsted County</u>	<u>Other</u>	<u>Total</u>
General		\$ 50,179	\$ 159,618	\$ 9,757	\$ 219,554
Special Revenue	\$ 1,415	22,888	57,051	12,785	94,139
Capital Project	1,003	18,362	32,752		52,117
Enterprise		3,227	16,986	265,124	285,337
Internal Service		54			54
Totals	<u>\$ 2,418</u>	<u>\$ 94,710</u>	<u>\$ 266,407</u>	<u>\$ 287,666</u>	<u>\$ 651,201</u>

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 5: Restricted Assets

Restricted assets are deposits held for specifically required purposes and are offset by fund balance reserve accounts. Balances at December 31, 2001, and descriptions are as follows:

General Fund

Civic Music Endowment:

Rochester Area Foundation Endowment	\$ 23,473
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Special Revenue Funds

Memorials for Library Fund use:

Walter Hurlbut Book Fund	33,023
Alice P. Mayo Trust Fund	15,252
Arthur B. Hall Memorial Fund	13,538
Clara Siem Memorial Fund	9,572
V. Huyber Memorial Fund	10,116
Norman D. Wilson Memorial Fund	13,839
Total	95,340

Enterprise Funds

Reserve Account	2,471,688
Construction Account	11,314,844
Escrow Deposits	825,198
Supplemental Pension Reserve	145,631
Total	14,757,361

Total Restricted Assets	\$ 14,876,174
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In 2000, the electric utility issued revenue bonds to fund the construction of a new gas turbine generator and improvements to the electric utility's transmission and distribution system. Provisions of the revenue bonds required that \$2,471,688 of the bond proceeds be deposited in a reserve account to be used to pay bond principal and interest payments if necessary. Under the terms of the revenue bonds, the bond proceeds, net of accrued interest, bond discount, and the reserve requirement, were deposited into a Construction Account to pay all construction-related costs. Any funds remaining in the Construction Account after the payment of these costs must be transferred to a debt service account.

NOTE 6: Property, Plant and Equipment

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

Following is a summary of the various classifications of the Proprietary Fund Type property, plant and equipment and accumulated depreciation as of December 31, 2001:

Enterprise Funds	Amount	Accumulated Depreciation	Net
Land and Land Rights	\$ 5,636,551		\$ 5,636,551
Buildings and Improvements	91,182,695	\$ 43,331,687	47,851,008
Other Improvements	156,757,265	72,705,954	84,051,311
Machinery and Equipment	30,601,599	22,299,466	8,302,133
Construction Work in Process	34,792,043		34,792,043
Totals	<u>\$ 318,970,153</u>	<u>\$ 138,337,107</u>	<u>\$ 180,633,046</u>
 <u>Internal Service Funds</u>			
Machinery and Equipment	<u>\$ 15,940,361</u>	<u>\$ 7,253,107</u>	<u>\$ 8,687,254</u>

A summary of changes in General Fixed Assets for the year ended December 31, 2001 is as follows:

	Balance 1/1/01	Additions	Deletions	Balance 12/31/01
Land and Buildings	\$ 129,411,500	\$ 26,771,542		\$ 156,183,042
Other Improvements	184,377,011	7,614,475		191,991,486
Machinery and Equipment	24,193,018	2,641,015	\$ 351,945	26,482,088
	337,981,529	37,027,032	351,945	374,656,616
Construction Work in Process	42,122,425	16,205,992	18,836,712	39,491,705
Totals	<u>\$ 380,103,954</u>	<u>\$ 53,233,024</u>	<u>\$ 19,188,657</u>	<u>\$ 414,148,321</u>

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 7: Long-Term Debt

A summary of long-term debt obligations outstanding at December 31, 2001 is as follows:

	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/01</u>
General Obligation Bonds:			
Tax Increment Bonds, Series 1985	6.45-6.5%	2005	\$ 4,775,000
Taxable Tax Increment Bonds District 7, Series 1997	5.5%	2024	2,669,380
General Obligation Revenue Bonds:			
Taxable Sales Tax Revenue Bond of 2000	6.35%	2010	10,458,673
Temporary Sales Tax Revenue Bonds, Series 2000A	4.4%	2003	17,925,000
Wastewater Treatment Plant Refunding Bonds, Series 2001A	3.5-4.0%	2011	8,275,000
Revenue Bonds:			
Electric Utility Revenue Bonds, Series 2000	4.75-5.25%	2030	36,715,000
Notes Payable:			
Electric Utility	5.56-7.70%	2003	400,000
Airport Hangar - 1998	0%	2008	109,455
Airport Hangar - 1999	0%	2010	147,783
Airport Hangar - 2001	0%	2012	210,049
Total Long-Term Debt			<u>\$ 81,685,340</u>

Current Refunding

During 2001, the City issued \$8,275,000 of General Obligation Revenue Bonds for a current refunding of \$8,250,000 of General Obligation Revenue Refunding Bonds of the Sewer Fund. The refunding was undertaken to reduce total future debt service payments. The excess of the reacquisition price over the net carrying amount of the old debt is being amortized over the life of the new debt. The transaction resulted in an economic gain of \$821,894 and a reduction of \$988,265 in future debt service payments.

General Obligation Tax Increment Bonds

In 1992, an amendment to the Tax Increment Financing plan transferred the balance of Tax Increment Bond, Series 1985, from the Enterprise Funds at the Parking Fund level to the General Long-Term Debt Account Group. The bonds are backed by the full faith, credit and taxing power of the City and are serviced by the Debt Service Funds.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 7: Long-Term Debt (Continued)

General Obligation Taxable Tax Increment Bonds

In 1997, the City authorized Taxable Tax Increment Bonds, District 7 of \$2,768,500. These bonds are structured without fixed principal maturities. Payments are equal to the amount of available tax increments received by the City within the six month period preceding each payment date. These bonds are backed by the full faith, credit, and taxing power of the City and are serviced by the Debt Service Fund.

General Obligation Taxable Sales Tax Revenue Bonds

In 2000, the City authorized Taxable Sales Tax Revenue Bonds of \$10,458,673. These bonds are structured without fixed principal maturities. The bonds are payable from revenues derived from the City's local 0.5% sales and use tax, and are backed by the full faith, credit, and taxing power of the City and are serviced by the Debt Service Fund.

General Obligation Temporary Sales Tax Revenue Bonds

In 2000, the City authorized Temporary Sales Tax Revenue Bonds of \$17,925,000. The bonds are payable from revenues derived from the City's local 0.5% sales and use tax, and are backed by the full faith, credit, and taxing power of the City and are serviced by the Debt Service Fund.

General Obligation Sales Tax Revenue Note

In 2001, the City authorized the issuance of a \$2,500,000 General Obligation Sales Tax Revenue Note to finance the construction of transportation infrastructure improvements. As of December 31, 2001, no amounts have been advanced on this note.

General Obligation Revenue Bonds

General Obligation Revenue Bonds are recorded as liabilities in the Sewer Utility Enterprise Fund. The bonds are payable from revenues derived from the operation of the Sewer Utility Enterprise Fund and are backed by the full faith, credit and taxing power of the City.

Revenue Bonds

Revenue Bonds are recorded as liabilities in the Electric Utility Enterprise Fund. The bonds are payable from revenues derived from the operation of the Electric Utility Enterprise Fund.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 7: Long-Term Debt (Continued)

Notes Payable

The note payable recorded as a liability in the Electric Utility Enterprise Fund is payable from revenue derived from the operation of the Electric Utility Enterprise Fund.

The airport hangar notes payable are payable from airport hangar rental income.

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures and note agreements and the City remains in substantial compliance with these requirements.

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2001:

	Balance 1/1/01	Additions	Retirements	Balance 12/31/01
<u>General Long-Term Debt</u>				
General Obligation Bonds:				
Tax Increment Bonds Series 1985	\$ 5,750,000		\$ 975,000	\$ 4,775,000
Taxable Tax Increment Bonds, District 7, Series 1997	2,669,380			2,669,380
Taxable Sales Tax Revenue Bond of 2000	9,700,000	\$758,673		10,458,673
Temporary Sales Tax Revenue Bonds, Series 2000A	17,925,000			17,925,000
Note Payable - Airport Hangar 1998	126,987		17,532	109,455
Note Payable - Airport Hangar 1999	166,256		18,473	147,783
Note Payable - Airport Hangar 2001		210,049		210,049
Total General Long-Term Debt	36,337,623	968,722	1,011,005	36,295,340
<u>Enterprise Funds</u>				
General Obligation Revenue Bonds:				
Wastewater Treatment Plant Refunding Bonds of 1992	8,875,000		8,875,000	
Wastewater Treatment Plant Refunding Bonds, Series 2001A		8,275,000		8,275,000
Revenue Bonds:				
Electric Utility Revenue Bonds, Series 2000	37,290,000		575,000	36,715,000
Other:				
Notes Payable	600,000		200,000	400,000
Total Enterprise Funds	46,765,000	8,275,000	9,650,000	45,390,000
Total	\$83,102,623	\$ 9,243,722	\$ 10,661,005	\$ 81,685,340

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 7: Long-Term Debt (Continued)

Changes in other long-term liabilities for the year ended December 31, 2001 are as follows:

	Balance 1/1/01	Increases	Decreases	Balance 12/31/01
<u>General Long-Term Debt</u>				
Accrued Compensated Absences	<u>\$ 4,940,322</u>	<u>\$ 3,219,756</u>	<u>\$ 2,948,334</u>	<u>\$ 5,211,744</u>

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2001, excluding accrued compensated absences and including interest payments of \$38,702,269 over the life of the debt, are summarized below:

	General Obligation Bonds*	General Obligation Revenue Bonds	Revenue Bonds	Other	Total
2002	\$ 1,359,850	\$ 1,810,334	\$ 2,469,238	\$ 279,250	\$ 5,918,672
2003	1,392,125	19,329,150	2,470,738	268,130	23,460,143
2004	1,392,375	1,024,250	2,470,812	57,010	4,944,447
2005	1,437,750	1,012,300	2,469,462	57,010	4,976,522
2006		1,019,825	2,471,688	57,010	3,548,523
Thereafter		5,053,740	59,175,272	182,237	64,411,249
Totals	<u>\$ 5,582,100</u>	<u>\$ 29,249,599</u>	<u>\$ 71,527,210</u>	<u>\$ 900,647</u>	<u>\$ 107,259,556</u>

*Does not include the General Obligation Taxable Tax Increment Bonds, District No. 7, Series 1997 and the General Obligation Taxable Sales Tax Revenue Bond of 2000 which are structured without fixed principal maturities.

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2001, the City had not utilized any of its net legal debt margin which totaled \$90,917,168.

The City has issued several conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective companies to which the proceeds were remitted. The original amount of the current issues totals \$1,149,758,000 and the balance outstanding at December 31, 2001 totals \$1,145,329,980.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 7: Long-Term Debt (Continued)

Pursuant to Minnesota Statutes (Section 273.74, Subd. 6) the City is required to disclose information related to its tax increment districts. These districts represent legal boundaries that allow the City to retain all incremental growth in assessed values.

<u>District No.</u>	<u>Development District</u>	<u>Type of District</u>	<u>Date Created</u>	<u>Duration of District</u>
2	2	Redevelopment	March 13, 1979	Through 2005
3-1	3	Redevelopment	February 14, 1988	25 Years following receipt of first increment
3-2	3	Housing	June 5, 1989	25 Years following receipt of first increment
5-1	5	Economic	June 6, 1994	11 Years or 9 Years following receipt of first increment, whichever is less
6-1	6	Housing	September 7, 1994	To February 1, 2014
7-1	7	Redevelopment	January 22, 1997	25 Years following receipt of first increment
8-1	8	Economic	April 7, 1997	11 Years from approval of TIF plan
10-1	10	Housing	January 20, 1999	25 Years following receipt of first increment
11-1	11	Housing	July 19, 1999	25 Years following receipt of first increment
12-1	12	Housing	August 16, 1999	25 Years following receipt of first increment
13-1	13	Housing	October 18, 1999	25 Years following receipt of first increment
14-1	14	Housing	November 1, 1999	25 Years following receipt of first increment
15-1	15	Housing	April 17, 2000	25 Years following receipt of first increment
16-1	16	Redevelopment	July 17, 2000	25 Years following receipt of first increment
17-1	17	Housing	September 6, 2000	25 Years following receipt of first increment
18-1	18	Housing	September 6, 2000	25 Years following receipt of first increment
19-1	19	Housing	September 6, 2000	25 Years following receipt of first increment
20-1	20	Housing	October 1, 2001	25 Years following receipt of first increment
21-1	21	Housing	October 15, 2001	25 Years following receipt of first increment
22-1	22	Housing	November 5, 2001	25 Years following receipt of first increment

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 7: Long-Term Debt (Continued)

Tax Increment District No. 2 was created pursuant to Minnesota Statutes Chapter 472A. All other Tax Increment Districts were created pursuant to Minnesota Statutes Chapter 469.

	Tax Increment District			
	No. 2	No. 3-1	No. 3-2	No. 5-1
Original net tax capacity	\$ 965,386	\$ 66,989	\$ 666	\$ 38,181
Current net tax capacity	3,913,622	181,203	9,808	111,424
Captured net tax capacity:				
Retained by authority	2,948,236	114,214	9,142	73,243
Shared with other taxing districts	-	-	-	-
Total general obligation tax increment bonds issued	23,678,300	-	-	-
Amounts redeemed	18,903,300	-	-	-
Outstanding bonds at December 31, 2001	<u>\$ 4,775,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Tax Increment District		
	No. 6-1	No. 7-1	No. 8-1
Original net tax capacity	\$ 111	\$ 1,253	
Current net tax capacity	10,366	169,653	
Captured net tax capacity:			
Retained by authority	10,255	168,400	-
Shared with other taxing districts	-	-	-
Total general obligation tax increment bonds issued	-	2,669,380	-
Amounts redeemed	-	-	-
Outstanding bonds at December 31, 2001	<u>-</u>	<u>\$ 2,669,380</u>	<u>-</u>

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 7: Long-Term Debt (Continued)

	Tax Increment District				
	No. 10-1	No. 11-1	No. 12-1	No. 13-1	No. 14-1
Original net tax capacity	\$ 888	\$ 3,700	\$ 2,148	\$ 350	\$ 317
Current net tax capacity	7,738	11,953	28,632	463	317
Captured net tax capacity:					
Retained by authority	6,850	8,253	26,484	113	-
Shared with other taxing districts	-	-	-	-	-
Total general obligation tax increment bonds issued	-	-	-	-	-
Amounts redeemed	-	-	-	-	-
Outstanding bonds at December 31, 2001	-	-	-	-	-

	Tax Increment District				
	No. 15-1	No. 16-1	No. 17-1	No. 18-1	No. 19-1
Original net tax capacity	\$ 98	\$ 329	\$ 125	-	\$ 125
Current net tax capacity	98	329	125	-	125
Captured net tax capacity:					
Retained by authority	-	-	-	-	-
Shared with other taxing districts	-	-	-	-	-
Total general obligation tax increment bonds issued	-	-	-	-	-
Amounts redeemed	-	-	-	-	-
Outstanding bonds at December 31, 2001	-	-	-	-	-

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 7: Long-Term Debt (Continued)

	Tax Increment District		
	No. 20-1	No. 21-1	No. 22-1
Original net tax capacity	\$ 213	-	\$ 675
Current net tax capacity	213	-	675
Captured net tax capacity:			
Retained by authority	-	-	-
Shared with other taxing districts	-	-	-
Total general obligation tax increment bonds issued	-	-	-
Amounts redeemed	-	-	-
Outstanding bonds at December 31, 2001	-	-	-

NOTE 8: Reserved or Designated Fund Equity

Reserved fund equity represents the portion not available for expenditures or legally segregated for specific future use. Designated fund equity represents the portion which is based on tentative future spending plans. Fund equity has been reserved or designated at December 31, 2001 in the following funds:

General Fund

Reserved:

Encumbrances	\$ 57,273
Prepaid items	7,107
Restricted assets	<u>23,473</u>

Totals	<u>\$ 87,853</u>
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Designated:

Subsequent years' appropriations	\$ 2,316,164
General contingency for future compensated absences	<u>4,196,731</u>

Totals	<u>\$ 6,512,895</u>
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CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 8: Reserved or Designated Fund Equity (Continued)

Special Revenue Funds

	Library	Municipal Recreation	Totals
Reserved:			
Encumbrances		\$ 28,441	\$ 28,441
Prepaid items	\$ 98		98
Restricted assets	95,340		95,340
Totals	<u>\$ 95,438</u>	<u>\$ 28,441</u>	<u>\$ 123,879</u>

Designated:

Subsequent years' appropriations	\$ 344,368	\$ 16,882	\$ 361,250
General contingency for future compensated absences	314,263	700,750	1,015,013
Totals	<u>\$ 658,631</u>	<u>\$ 717,632</u>	<u>\$ 1,376,263</u>

Debt Service Funds

	Sales Tax Revenue Bonds	Tax Increment Bonds	Totals
Reserved for Debt Service	<u>\$ 2,606</u>	<u>\$ 450</u>	<u>\$ 3,056</u>

Capital Project Funds

Reserved for encumbrances:	
Airport development	\$ 1,727,269
Park recreational and cultural development	456,067
Construction improvements	5,501,529
Reserved for interfund advances:	
Construction improvements	3,886,681
Totals	<u>\$ 11,571,546</u>

Enterprise Funds

Reserved for Debt Retirement:	
Sewer Utility	\$ 221,687
Electric Utility	2,471,688
Totals	<u>\$ 2,693,375</u>

Internal Service Funds

Reserved for Future Claims:	
Self-Insurance	<u>\$ 6,467,586</u>

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 9: Contributed Capital

Changes during 2001 in the contributed capital accounts of the Enterprise and Internal Service Funds are as follows:

<u>Enterprise Funds</u>	<u>Municipality</u>	<u>Capital Grants</u>	Total Contributed Capital
Balance beginning of year	\$ 22,646,118	\$ 22,064,804	\$ 44,710,922
Depreciation of assets acquired by capital grants		(1,333,756)	(1,333,756)
Balance end of year	<u>\$ 22,646,118</u>	<u>\$ 20,731,048</u>	<u>\$ 43,377,166</u>

<u>Internal Service Funds</u>	<u>Municipality</u>	<u>Capital Grants</u>	Total Contributed Capital
Balance beginning of year	\$ 3,825,646	\$ 26,874	\$ 3,852,520
Contribution of assets by other funds	8,659		8,659
Depreciation of assets acquired by capital grants		(2,511)	(2,511)
Balance end of year	<u>\$ 3,834,305</u>	<u>\$ 24,363</u>	<u>\$ 3,858,668</u>

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 10: Interfund Receivables, Payables and Transactions

The amounts due to and due from other funds as of December 31, 2001, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 617,760	\$ 171,474
Special Revenue:		
Library		10,592
Municipal Recreation System		140,009
Airport Operations		519,555
Capital Project:		
Airport Development	491,867	268,446
Community Development Projects		26,192
Tax Increment District		666,508
Construction Improvements	1,260,035	291
Enterprise:		
Parking		249
Electric Utility	501,292	1,570,328
Sewer Utility	674,877	150,988
Internal Service:		
Information Technology Revolving		21,199
Totals	<u>\$ 3,545,831</u>	<u>\$ 3,545,831</u>

The amounts advanced to and advanced from other funds as of December 31, 2001, at the individual fund level are summarized below:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Special Revenue:		
Municipal Recreation System		\$ 1,958,931
Capital Project:		
Tax Increment District		1,927,750
Construction Improvements	<u>\$ 3,886,681</u>	
Totals	<u>\$ 3,886,681</u>	<u>\$ 3,886,681</u>

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 10: Interfund Receivables, Payables and Transactions (Continued)

Operating transfers during the year ended December 31, 2001 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 518,071	\$ 2,067,269
Special Revenue	334,580	2,270,269
Debt Service	36,005	
Capital Project	5,378,794	1,092,789
Enterprise		767,097
Internal Service		70,026
Totals	<u>\$ 6,267,450</u>	<u>\$ 6,267,450</u>

NOTE 11: Segment Information for Enterprise Funds

Segment information from continuing operations for the year ended December 31, 2001 is as follows:

	<u>Parking Fund</u>	<u>Electric Utility Fund</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 3,219,222	\$ 90,193,498	\$ 5,701,580	\$ 9,059,362	\$ 108,173,662
Depreciation expense	823,228	3,826,040	511,212	2,860,099	8,020,579
Operating income	344,467	4,037,557	1,472,792	782,854	6,637,670
Contribution in lieu of taxes	246,913	6,515,744	321,248	480,000	7,563,905
General property taxes				188,944	188,944
Intergovernmental revenues	577			48,742	49,319
Operating transfers out	17,097			750,000	767,097
Net income	707,117	5,980,064	1,554,708	632,947	8,874,836
Property Plant and Equipment					
Additions	723,584	30,425,429	1,066,096	1,573,198	33,788,307
Disposals	643,450	406,868	39,976	387,264	1,477,558
Net Working Capital	7,986,606	26,153,068	2,159,416	11,506,337	47,805,427
Total Assets	27,203,712	144,813,068	20,044,706	53,536,528	245,598,014
Bonds Payable		36,715,000		8,275,000	44,990,000
Total Equity	26,931,723	92,802,983	19,269,966	44,705,481	183,710,153

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 12: Employee Retirement Systems

The City participates in a statewide retirement plan administered by the Public Employees Retirement Association (PERA). PERA is the administrator of two cost-sharing multiple-employer retirement plans, the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF). PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained by writing PERA, 60 Empire Drive #200, St. Paul, Minnesota 55103-1855 or by calling (651) 296-7460 or 1-800-652-9026. The following disclosures are made in accordance with Statement No. 27 of the Governmental Accounting Standards Board:

1. Cost-Sharing Multiple-Employer
Defined Benefit Pension Plans - Statewide
Public Employees Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City of Rochester are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 12: Employee Retirement Systems (Continued)

A. Plan Description (Continued)

The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 8.75% and 4.75% respectively, of their annual covered salary. PEPFF members are required to contribute 6.20% of their annual covered salary. The City of Rochester is required to contribute the following percentages of annual covered payroll: 11.43% for Basic Plan PERF members, 5.18% for Coordinated Plan PERF members, and 9.3% for PEPFF members. The City's contribution to the Public Employees Retirement Fund for the years ending December 31, 2001, 2000, and 1999 were \$1,507,888, \$1,432,489, and \$1,340,170, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2001, 2000, and 1999 were \$1,138,078, \$1,058,736, and \$951,557, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 13: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is generally not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 14: Leases

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or long-term obligations and therefore the results of the lease agreements are not reflected in the City's account groups. Lease expenditures for the year ended December 31, 2001 totaled \$133,139.

Following is a schedule by years of future minimum rental payments required under operating leases that have remaining non-cancelable lease terms in excess of one year.

Years ending December 31:	
2002	\$ 29,745
2003	30,638
2004	31,557
2005	32,504
2006	33,479
Remaining lease terms	183,076

NOTE 15: Commitments and Contingencies

Contingencies:

General Litigation:

There are several pending lawsuits in which the City is involved. It is the opinion of management that substantially all of these claims would be covered by the liability insurance of the City and that potential claims against the City would not materially affect the financial statements.

Federally Assisted Programs:

The City participates in a number of federal agency assisted grant programs, principal of which are the Community Development Block Grant, Urban Mass Transportation, and Airport Development programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of certain programs for or including the year ended December 31, 2001, have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 15: Commitments and Contingencies (Continued)

Contingencies: (Continued)

Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for participating Minnesota cities. All cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to the participating cities if a deficiency occurs. The City purchases commercial insurance for property values in excess of the LMCIT policy limits and all other risks of loss. Settled claims have not exceeded the LMCIT or commercial coverage in any of the past three fiscal years.

The City maintains a self-insurance program for employee group health coverage and worker's compensation. The City has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the Self-Insurance Fund provides coverage for up to a maximum of \$225,000 per group health claim (with a variable annual aggregate) and \$660,000 for each worker's compensation claim.

The City purchases commercial insurance for claims in excess of the coverage provided by the Self-Insurance Fund. All funds of the City participate in the program and make payments to the Self-Insurance Fund. The claim liability of \$2,334,276 reported in the Fund at December 31, 2001 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended by Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are based on the estimated ultimate cost of settling claims, including specific and incremental expenses, salvage, and subrogation. The claim liability does not include other allocated or unallocated claim adjustment expenses.

CITY OF ROCHESTER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

NOTE 15: Commitments and Contingencies (Continued)

Contingencies: (Continued)

Changes in the Fund's claims liability amount during the years ended December 31, 2001 and 2000 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2001	\$ 1,948,055	\$ 6,688,928	\$ (6,302,707)	\$ 2,334,276
2000	1,752,298	4,755,033	(4,559,276)	1,948,055

Commitments:

Rochester Public Utilities ("Utility") has entered into a power purchase agreement with Southern Minnesota Municipal Power Agency ("Agency"). Under the terms of the agreement the Agency provided virtually all Utility power requirements through 1999. In 1999, the Utility and SMMPA agreed to a contract rate of delivery (CROD) beginning in 2000. The CROD caps the amount of power SMMPA must supply to the Utility under the power purchase contract. The Utility is responsible for acquiring its power needs above the CROD. The contract expires in the year 2030.

In 1992 Rochester Public Utilities ("Utility") entered into an agreement with the Minnesota Municipal Power Agency ("MMPA") to sell a maximum of 100 megawatts of power annually to MMPA beginning July 1, 1995, at a fixed rate. Under the terms of the agreement, the Utility is paid a fixed fee for providing the availability of generating capacity and is reimbursed for the fuel-related costs of generating power.

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

GOVERNMENTAL FUND TYPES

GENERAL

SPECIAL REVENUE

DEBT SERVICE

CAPITAL PROJECT

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION (CONTINUED)

**COMBINING AND INDIVIDUAL FUND
AND ACCOUNT GROUP STATEMENTS**

GENERAL FUND (FORM B)

The Home Rule Charter of the City of Rochester provides in Chapter XI: "The General Fund is established for the payment of all general government expenses and obligations of the City as the Council may deem proper. Into this fund shall be paid all monies not otherwise provided herein or by statute or by ordinance to be paid into any other fund."

This fund accounts for all unrestricted resources except those required to be accounted for in another fund. Revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the related liability is incurred.

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and cash equivalents	\$1,220,728	\$1,558,169
Investments	14,040,199	13,848,617
Accrued interest receivable	207,328	318,599
Accounts receivable	362,116	402,570
Less: Estimated uncollectible accounts receivable	(4,938)	(7,398)
Taxes receivable delinquent	100,737	108,037
Special assessments receivable delinquent	1,179	665
Due from other funds:		
Electric and water utility funds	592,410	624,476
Capital project funds	25,350	4,919
Due from other governmental units:		
Federal government	33,184	391,644
State of Minnesota	185,009	264,078
Olmsted County	736,937	555,875
Independent School District 535	72,820	35,214
Other Cities	119	59
Restricted assets:		
Civic music endowment	23,473	23,529
Inventory	115,236	65,815
Prepaid items	<u>7,107</u>	<u>3,987</u>
TOTAL ASSETS	<u><u>\$17,718,994</u></u>	<u><u>\$18,198,855</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$303,374	\$443,194
Accrued compensated absences	309,736	240,835
Due to other funds:		
Electric and water utility funds	171,474	164,773
Due to other governmental units:		
State of Minnesota	50,179	63,180
Olmsted County	159,618	220,523
Independent School District 535	9,757	
Deferred revenue	<u>296,172</u>	<u>221,268</u>
Total Liabilities	<u>1,300,310</u>	<u>1,353,773</u>
Fund Balance:		
Reserved for restricted assets	23,473	23,529
Reserved for prepaid items	7,107	3,987
Reserved for encumbrances	57,273	83,187
Unreserved:		
Designated for future compensated absences	4,196,731	3,969,828
Designated for subsequent years' appropriations	2,316,164	2,246,065
Undesignated	<u>9,817,936</u>	<u>10,518,486</u>
Total Fund Balance	<u>16,418,684</u>	<u>16,845,082</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$17,718,994</u></u>	<u><u>\$18,198,855</u></u>

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Revenues:		
General property taxes	\$10,865,389	\$6,013,753
Nonproperty taxes:		
Hotel-motel taxes	1,943,397	2,126,717
Franchise taxes	942,857	1,207,007
Licenses and permits	2,779,127	2,805,189
Fines and forfeits	476,688	444,225
Intergovernmental revenues	12,763,443	12,549,015
Charges for services	1,718,581	1,585,534
In lieu of taxes	7,577,049	7,247,020
Interest earnings	607,841	748,833
Net increase in the fair value of investments	140,825	312,048
Miscellaneous revenues	<u>248,184</u>	<u>4,350,359</u>
Total Revenues	<u>40,063,381</u>	<u>39,389,700</u>
Other Financing Sources:		
Operating transfers in	<u>518,071</u>	<u>508,268</u>
Total Revenues and Other Financing Sources	<u>40,581,452</u>	<u>39,897,968</u>
Expenditures:		
General government	4,500,540	4,291,500
Public safety	22,252,884	20,417,100
Public works	10,474,172	9,595,602
Culture	585,589	566,243
Economic development/tourism	813,489	823,529
Community reinvestment and unallocated	<u>313,907</u>	<u>327,287</u>
Total Expenditures	<u>38,940,581</u>	<u>36,021,261</u>
Other Financing Uses:		
Operating transfers out	<u>2,067,269</u>	<u>1,915,860</u>
Total Expenditures and Other Financing Uses	<u>41,007,850</u>	<u>37,937,121</u>
Excess Financing Sources Over Uses	<u>(426,398)</u>	<u>1,960,847</u>
Fund Balance - January 1	16,845,082	15,025,621
Residual Equity Transfer Out	<u> </u>	<u>(141,386)</u>
Fund Balance - December 31	<u><u>\$16,418,684</u></u>	<u><u>\$16,845,082</u></u>

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
GENERAL PROPERTY TAXES	\$10,841,489	\$10,865,389	\$23,900	\$6,013,753
NONPROPERTY TAXES:				
Hotel-motel tax	1,900,000	1,943,397	43,397	2,126,717
Franchise tax	800,000	942,857	142,857	1,207,007
Total Nonproperty Taxes	2,700,000	2,886,254	186,254	3,333,724
LICENSES AND PERMITS:				
Business licenses and permits	200,600	255,540	54,940	236,290
Nonbusiness licenses and permits	58,278	65,079	6,801	63,309
Building permits	1,718,500	2,458,508	740,008	2,505,590
Total Licenses and Permits	1,977,378	2,779,127	801,749	2,805,189
FINES AND FORFEITS	426,199	476,688	50,489	444,225
INTERGOVERNMENTAL REVENUES:				
Shared state taxes:				
Police-Fire state aid	950,000	921,801	(28,199)	951,078
HACA	2,596,410	2,608,521	12,111	2,607,876
Local government aid	7,067,521	7,067,521		6,853,446
PERA aid	55,563	55,563		55,563
County appropriations:				
Police	85,774	98,403	12,629	102,562
Mass transit	129,508	87,277	(42,231)	86,649
Traffic	8,000	4,981	(3,019)	12,647
Other	37,500	51,390	13,890	46,574
State grants:				
Police	50,257	61,451	11,194	98,688
Fire hazmat	60,000	62,749	2,749	130,882
Mass transit	1,102,355	1,106,016	3,661	1,072,966
Music	36,000	37,128	1,128	25,945
Other	10,088	10,088		353
Federal grants:				
Police	240,278	230,469	(9,809)	215,136
Mass transit	358,480	358,480		287,000
Music	1,605	1,605		1,650
Total Intergovernmental Revenues	12,789,339	12,763,443	(25,896)	12,549,015

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
CHARGES FOR SERVICES:				
General government	\$82,080	\$90,482	\$8,402	\$38,276
Public safety:				
Animal control	6,360	12,890	6,530	12,524
Police	268,586	257,167	(11,419)	266,860
Public safety communications	557,583	539,976	(17,607)	468,053
Fire	516,951	531,613	14,662	451,148
Drug enforcement	395	395		
Building safety		5,823	5,823	2,855
Public works	293,531	213,113	(80,418)	268,526
Music	61,725	67,122	5,397	77,292
Total Charges for Services	<u>1,787,211</u>	<u>1,718,581</u>	<u>(68,630)</u>	<u>1,585,534</u>
MISCELLANEOUS REVENUES:				
Interest earnings	498,004	607,841	109,837	748,833
Net increase in the fair value of investments		140,825	140,825	312,048
Private sources	104,983	151,666	46,683	108,639
Rental and commissions	24,009	13,545	(10,464)	8,723
Sale of property	4,314	16,093	11,779	21,978
Reimbursements	92,247	66,880	(25,367)	4,211,019
In lieu of taxes	<u>7,625,365</u>	<u>7,577,049</u>	<u>(48,316)</u>	<u>7,247,020</u>
Total Miscellaneous Revenues	<u>8,348,922</u>	<u>8,573,899</u>	<u>224,977</u>	<u>12,658,260</u>
Total Revenues	<u>38,870,538</u>	<u>40,063,381</u>	<u>1,192,843</u>	<u>39,389,700</u>
OTHER FINANCING SOURCES:				
Operating transfers in:				
Capital project funds	542,520	500,974	(41,546)	488,306
Parking enterprise fund		17,097	17,097	19,962
Total Other Financing Sources	<u>542,520</u>	<u>518,071</u>	<u>(24,449)</u>	<u>508,268</u>
Total Revenues and Other Financing Sources	<u>\$39,413,058</u>	<u>\$40,581,452</u>	<u>\$1,168,394</u>	<u>\$39,897,968</u>

Continued

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
GENERAL GOVERNMENT:				
Mayor and Council:				
Employee services	\$288,542	\$308,424	(\$19,882)	\$275,525
Contractual services	222,023	215,739	6,284	196,283
Materials and supplies	2,740	2,786	(46)	2,240
Other charges	113,277	64,992	48,285	90,080
Total	<u>626,582</u>	<u>591,941</u>	<u>34,641</u>	<u>564,128</u>
City Administrator:				
Employee services	370,283	361,965	8,318	352,626
Contractual services	19,915	14,611	5,304	9,199
Materials and supplies	1,150	1,059	91	813
Other charges	21,599	19,550	2,049	19,737
Capital outlay	2,716	2,716		
Allocated to other activities		(261)	261	
Total	<u>415,663</u>	<u>399,640</u>	<u>16,023</u>	<u>382,375</u>
Development District				
Administration:				
Employee services	143,830	117,267	26,563	138,395
Contractual services	16,197	18,442	(2,245)	34,680
Materials and supplies	650	244	406	1,218
Other charges	14,049	476	13,573	1,399
Total	<u>174,726</u>	<u>136,429</u>	<u>38,297</u>	<u>175,692</u>
Administrative Community				
Development Block Grant:				
Contractual services	24,018	21,217	2,801	27,203
Materials and supplies		32	(32)	184
Capital outlay		2,769	(2,769)	
Total	<u>24,018</u>	<u>24,018</u>		<u>27,387</u>
City Clerk:				
Employee services	257,068	263,997	(6,929)	244,887
Contractual services	36,155	31,670	4,485	30,425
Materials and supplies	9,598	7,639	1,959	9,369
Other charges	7,568	7,804	(236)	8,015
Allocated to other activities	(122,968)	(95,775)	(27,193)	(88,315)
Total	<u>187,421</u>	<u>215,335</u>	<u>(27,914)</u>	<u>204,381</u>
Elections and Voter Registration:				
Contractual services	9,065	8,812	253	83,493
Materials and supplies	50	159	(109)	
Other charges	100		100	162
Total	<u>9,215</u>	<u>8,971</u>	<u>244</u>	<u>83,655</u>

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
GENERAL GOVERNMENT: (continued)				
Finance Department:				
Employee services	\$749,321	\$755,117	(\$5,796)	\$707,965
Contractual services	55,908	47,998	7,910	42,754
Materials and supplies	8,065	8,253	(188)	8,033
Other charges	27,598	27,475	123	7,494
Allocated to other activities	(7,500)	(8,080)	580	(7,934)
Total	<u>833,392</u>	<u>830,763</u>	<u>2,629</u>	<u>758,312</u>
Information Systems:				
Employee services	597,778	545,544	52,234	515,153
Contractual services	51,595	33,745	17,850	29,526
Materials and supplies	10,250	6,744	3,506	13,257
Other charges	3,230	3,000	230	2,916
Capital outlay				2,544
Allocated to other activities	(33,740)	(29,408)	(4,332)	(29,717)
Total	<u>629,113</u>	<u>559,625</u>	<u>69,488</u>	<u>533,679</u>
City Attorney:				
Employee services	607,221	604,996	2,225	559,418
Contractual services	52,819	165,505	(112,686)	101,022
Materials and supplies	17,709	26,402	(8,693)	21,561
Other charges	6,737	6,608	129	7,148
Capital outlay	2,215	2,215		
Total	<u>686,701</u>	<u>805,726</u>	<u>(119,025)</u>	<u>689,149</u>
Human Resources:				
Employee services	447,665	441,414	6,251	393,301
Contractual services	167,486	108,148	59,338	108,916
Materials and supplies	7,870	13,084	(5,214)	14,170
Other charges	12,449	4,306	8,143	4,902
Capital outlay	12,520	10,000	2,520	1,172
Total	<u>647,990</u>	<u>576,952</u>	<u>71,038</u>	<u>522,461</u>
Planning and Zoning:				
Contractual services	11,525	7,275	4,250	20,268
Materials and supplies	525	40	485	458
Other charges	14,400	14,202	198	15,652
Total	<u>26,450</u>	<u>21,517</u>	<u>4,933</u>	<u>36,378</u>

Continued

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
GENERAL GOVERNMENT: (continued)				
City Hall Maintenance:				
Employee services	\$102,369	\$100,814	\$1,555	\$93,517
Contractual services	211,973	197,996	13,977	197,329
Materials and supplies	19,064	32,176	(13,112)	20,659
Other charges	9,891	9,055	836	7,622
Capital outlay	9,000		9,000	3,834
Allocated to other activities		(10,418)	10,418	(9,058)
Total	<u>352,297</u>	<u>329,623</u>	<u>22,674</u>	<u>313,903</u>
Total General Government	<u>4,613,568</u>	<u>4,500,540</u>	<u>113,028</u>	<u>4,291,500</u>
PUBLIC SAFETY:				
Police Department:				
Employee services	9,422,802	9,497,630	(74,828)	8,773,284
Contractual services	1,026,318	1,013,722	12,596	914,329
Materials and supplies	351,444	376,671	(25,227)	349,584
Other charges	270,162	246,720	23,442	192,889
Capital outlay	35,103	34,680	423	23,072
Allocated to other activities	(130,881)	(169,649)	38,768	(139,873)
Total	<u>10,974,948</u>	<u>10,999,774</u>	<u>(24,826)</u>	<u>10,113,285</u>
Public Safety Communications:				
Employee services	1,392,853	1,377,749	15,104	1,221,202
Contractual services	199,098	193,057	6,041	137,332
Materials and supplies	3,880	5,148	(1,268)	4,451
Other charges	2,094	2,119	(25)	1,249
Capital outlay		1,143	(1,143)	
Allocated to other activities	(1,032,266)	(1,027,782)	(4,484)	(906,756)
Total	<u>565,659</u>	<u>551,434</u>	<u>14,225</u>	<u>457,478</u>
Drug Enforcement Administration:				
Contractual services	24,532	1,602	22,930	1,917
Materials and supplies	300	1,984	(1,684)	2,196
Other charges		144	(144)	189
Capital outlay		6,219	(6,219)	2,472
Total	<u>24,832</u>	<u>9,949</u>	<u>14,883</u>	<u>6,774</u>
Fire Department:				
Employee services	7,057,184	6,914,030	143,154	6,395,974
Contractual services	784,401	772,282	12,119	683,483
Materials and supplies	209,981	241,385	(31,404)	200,044
Other charges	521,095	522,447	(1,352)	462,135
Capital outlay	23,423	12,257	11,166	33,945
Allocated to other activities	(7,500)	(11,048)	3,548	(23,944)
Total	<u>8,588,584</u>	<u>8,451,353</u>	<u>137,231</u>	<u>7,751,637</u>

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
PUBLIC SAFETY: (continued)				
Fire Hazmat Response Team:				
Employee services	\$20,200	\$16,661	\$3,539	\$34,375
Contractual services	30,150	34,940	(4,790)	65,510
Materials and supplies	1,650	10,215	(8,565)	15,967
Other charges	3,555	6,998	(3,443)	8,400
Capital outlay	4,445	5,757	(1,312)	10,280
Total	<u>60,000</u>	<u>74,571</u>	<u>(14,571)</u>	<u>134,532</u>
Building Safety:				
Employee services	1,528,907	1,636,807	(107,900)	1,451,485
Contractual services	106,080	113,839	(7,759)	111,255
Materials and supplies	32,075	42,638	(10,563)	36,080
Other charges	24,229	26,190	(1,961)	18,028
Total	<u>1,691,291</u>	<u>1,819,474</u>	<u>(128,183)</u>	<u>1,616,848</u>
Animal Control:				
Employee services	152,574	149,124	3,450	135,878
Contractual services	29,597	32,041	(2,444)	29,233
Materials and supplies	10,190	10,919	(729)	10,279
Other charges	5,923	5,919	4	5,978
Capital outlay	1,325	1,216	109	1,230
Total	<u>199,609</u>	<u>199,219</u>	<u>390</u>	<u>182,598</u>
Police Reserve:				
Contractual services	9,750	5,782	3,968	7,599
Materials and supplies	11,740	3,391	8,349	12,383
Other charges	1,023	315	708	360
Total	<u>22,513</u>	<u>9,488</u>	<u>13,025</u>	<u>20,342</u>
Emergency Mgmt/Safety Council:				
Emergency management contribution	<u>137,622</u>	<u>137,622</u>		<u>133,606</u>
Total Public Safety	<u>22,265,058</u>	<u>22,252,884</u>	<u>12,174</u>	<u>20,417,100</u>
PUBLIC WORKS:				
Engineering:				
Employee services	2,516,575	2,428,374	88,201	2,245,297
Contractual services	153,545	189,800	(36,255)	138,276
Materials and supplies	36,100	44,161	(8,061)	46,911
Other charges	44,521	49,322	(4,801)	45,012
Capital outlay	54,070	32,699	21,371	9,837
Allocated to other activities		(6,261)	6,261	(209)
Total	<u>2,804,811</u>	<u>2,738,095</u>	<u>66,716</u>	<u>2,485,124</u>

Continued

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
PUBLIC WORKS: (continued)				
Traffic Engineer:				
Employee services	\$668,620	\$585,329	\$83,291	\$647,764
Contractual services	190,376	166,041	24,335	183,074
Materials and supplies	97,900	115,302	(17,402)	91,512
Other charges	28,143	27,176	967	26,429
Capital outlay	2,150	2,047	103	4,952
Allocated to other activities	(156,101)	(107,451)	(48,650)	(124,632)
Total	<u>831,088</u>	<u>788,444</u>	<u>42,644</u>	<u>829,099</u>
Mass Transit:				
Contractual services	324,573	303,680	20,893	319,418
Materials and supplies	1,850	1,817	33	1,081
Transit contribution	1,514,623	1,522,838	(8,215)	1,363,751
Total	<u>1,841,046</u>	<u>1,828,335</u>	<u>12,711</u>	<u>1,684,250</u>
Traffic Operations Building:				
Contractual services	33,890	35,833	(1,943)	31,680
Materials and supplies	1,900	2,576	(676)	1,450
Capital outlay	6,000	1,276	4,724	6,795
Total	<u>41,790</u>	<u>39,685</u>	<u>2,105</u>	<u>39,925</u>
Street and Alley:				
Employee services	2,090,516	2,099,546	(9,030)	1,952,671
Contractual services	1,104,865	797,915	306,950	630,757
Materials and supplies	740,371	890,924	(150,553)	818,900
Other charges	364,167	370,550	(6,383)	356,404
Capital outlay	30,874	3,855	27,019	14,335
Allocated to other activities	(92,300)	(28,448)	(63,852)	(46,003)
Total	<u>4,238,493</u>	<u>4,134,342</u>	<u>104,151</u>	<u>3,727,064</u>
Streetscape Maintenance:				
Contractual services	16,901	13,285	3,616	33,470
Materials and supplies	5,000	8,616	(3,616)	24,107
Total	<u>21,901</u>	<u>21,901</u>		<u>57,577</u>
Skyway Maintenance:				
Contractual services	162,582	158,759	3,823	41,551
Materials and supplies		57	(57)	
Other charges				500
Total	<u>162,582</u>	<u>158,816</u>	<u>3,766</u>	<u>42,051</u>

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
PUBLIC WORKS: (continued)				
City Lighting:				
Contractual services	\$734,815	\$753,223	(\$18,408)	\$723,149
Materials and supplies	6,000	11,331	(5,331)	7,363
Capital outlay	6,000	6,000	6,000	6,000
Total	<u>746,815</u>	<u>764,554</u>	<u>(17,739)</u>	<u>730,512</u>
Total Public Works	<u>10,688,526</u>	<u>10,474,172</u>	<u>214,354</u>	<u>9,595,602</u>
CULTURE:				
Art Center/Theatre:				
Contractual services	403	1,216	(813)	17,774
Art center/Theatre contribution	137,000	135,000	2,000	128,000
Capital outlay	4,105	4,105	4,105	4,105
Total	<u>137,403</u>	<u>136,216</u>	<u>1,187</u>	<u>149,879</u>
Music Department:				
Employee services	248,953	234,777	14,176	196,215
Contractual services	216,812	193,997	22,815	192,876
Materials and supplies	15,148	15,080	68	19,450
Other charges	6,267	5,519	748	5,918
Capital outlay	1,905	1,905	1,905	1,905
Total	<u>487,180</u>	<u>449,373</u>	<u>37,807</u>	<u>416,364</u>
Total Culture	<u>624,583</u>	<u>585,589</u>	<u>38,994</u>	<u>566,243</u>
COMMUNITY REINVESTMENT:				
Contributions	<u>292,914</u>	<u>280,414</u>	<u>12,500</u>	<u>309,906</u>
ECONOMIC DEVELOPMENT/ TOURISM:				
Contractual services	158,083	10,820	147,263	20,058
Materials and supplies	225	225	(225)	225
Convention bureau contribution	735,000	735,000	735,000	700,000
RAEDI contribution	39,500	39,500	39,500	39,500
Other contributions	<u>84,696</u>	<u>27,944</u>	<u>56,752</u>	<u>63,971</u>
Total Economic Development/ Tourism	<u>1,017,279</u>	<u>813,489</u>	<u>203,790</u>	<u>823,529</u>

Continued

CITY OF ROCHESTER, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
UNALLOCATED:				
Contractual services	\$5,004	\$2,241	\$2,763	\$3,215
Materials and supplies	1,223	11,269	(10,046)	11,052
Other charges		306	(306)	25
Capital outlay	26,437	19,677	6,760	3,089
Contingency	179,966		179,966	
	<u>212,630</u>	<u>33,493</u>	<u>179,137</u>	<u>17,381</u>
Total Unallocated				
	<u>212,630</u>	<u>33,493</u>	<u>179,137</u>	<u>17,381</u>
Total Expenditures	<u>39,714,558</u>	<u>38,940,581</u>	<u>773,977</u>	<u>36,021,261</u>
OTHER FINANCING USES:				
Operating transfers out:				
Law enforcement block grant fund	9,269	9,269		20,644
Capital project funds	2,025,000	2,058,000	(33,000)	1,895,216
	<u>2,034,269</u>	<u>2,067,269</u>	<u>(33,000)</u>	<u>1,915,860</u>
Total Other Financing Uses				
	<u>2,034,269</u>	<u>2,067,269</u>	<u>(33,000)</u>	<u>1,915,860</u>
Total Expenditures and Other Financing Uses	<u>41,748,827</u>	<u>41,007,850</u>	<u>740,977</u>	<u>37,937,121</u>
Excess (Deficit) Financing Sources Over Uses	<u>(2,335,769)</u>	<u>(426,398)</u>	<u>1,909,371</u>	<u>1,960,847</u>
Fund Balance - January 1	16,845,082	16,845,082		15,025,621
Residual Equity Transfer Out				<u>(141,386)</u>
Fund Balance - December 31	<u>\$14,509,313</u>	<u>\$16,418,684</u>	<u>\$1,909,371</u>	<u>\$16,845,082</u>

CITY OF ROCHESTER, MINNESOTA

ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2001

FINANCIAL SECTION (CONTINUED)

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS

SPECIAL REVENUE FUNDS (Form CDEF)

The Special Revenue Funds are maintained according to Chapter XI of the City Charter. Special Revenue Funds are established to account for taxes and other revenues set aside for a particular purpose. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the related liability is incurred.

Library Fund (Form C):

The Library Fund was established in 1968 by Council resolution to account for all gifts, donations and contributions, all fees and such other monies collected from the operation of the Library and all taxes levied by the Common Council for Library purposes.

Municipal Recreation System Fund (Form D):

This fund was created by Council resolution, under the authority of City Charter Chapter XI to account for the activities of the Park and Recreation System.

Law Enforcement Block Grants Fund (Form E):

This fund was established in 1996, as required by the Department of Justice, to account for grant revenues and eligible expenditures.

Airport Operations Fund (Form F):

This fund was established in 1998 by Council resolution to account for the revenues and expenditures of the Rochester International Airport operations.

CITY OF ROCHESTER, MINNESOTA

COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS

December 31, 2001

With Comparative Totals for December 31, 2000

	Library Fund	Municipal Recreation System Fund	Law Enforcement Block Grants Fund
ASSETS			
Cash and cash equivalents	\$26,013	\$156,295	\$111,885
Investments	1,331,753	2,942,612	
Accrued interest receivable	16,800	37,000	
Accounts receivable		129,530	
Less: Estimated uncollectible accounts receivable		(6,410)	
Taxes receivable delinquent	25,842	31,889	
Special assessments receivable delinquent		4,063	
Due from other funds			
Due from other governmental units	157,913	209,080	
Restricted assets	95,340		
Prepaid items	98		
TOTAL ASSETS	<u>\$1,653,759</u>	<u>\$3,504,059</u>	<u>\$111,885</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$147,540	\$87,341	\$338
Accrued compensated absences	12,390	29,254	
Due to other funds	10,592	140,009	
Due to other governmental units	12,929	79,760	35
Advances from other funds		1,958,931	
Deferred revenue	32,659	196,722	
Total Liabilities	<u>216,110</u>	<u>2,492,017</u>	<u>373</u>
Fund Balances:			
Reserved for restricted assets	95,340		
Reserved for prepaid items	98		
Reserved for encumbrances		28,441	
Unreserved:			
Designated for future compensated absences	314,263	700,750	
Designated for subsequent years' appropriations	344,368	16,882	
Undesignated	683,580	265,969	111,512
Total Fund Balances	<u>1,437,649</u>	<u>1,012,042</u>	<u>111,512</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,653,759</u>	<u>\$3,504,059</u>	<u>\$111,885</u>

FORM CDEF-1

Airport Operations Fund	Totals	
	2001	2000
\$185,151	\$479,344	\$942,392
2,027,865	6,302,230	5,349,762
25,400	79,200	86,700
875,564	1,005,094	1,015,703
	(6,410)	(8,734)
3,093	60,824	90,771
	4,063	4,407
		507
25,141	392,134	432,300
	95,340	91,192
	98	530
<u>\$3,142,214</u>	<u>\$8,411,917</u>	<u>\$8,005,530</u>
\$47,561	\$282,780	\$238,964
	41,644	43,324
519,555	670,156	237,498
1,415	94,139	111,150
	1,958,931	895,105
33,789	263,170	276,018
<u>602,320</u>	<u>3,310,820</u>	<u>1,802,059</u>
	95,340	91,192
	98	530
	28,441	36,010
	1,015,013	970,494
	361,250	310,106
2,539,894	3,600,955	4,795,139
<u>2,539,894</u>	<u>5,101,097</u>	<u>6,203,471</u>
<u>\$3,142,214</u>	<u>\$8,411,917</u>	<u>\$8,005,530</u>

CITY OF ROCHESTER, MINNESOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2001

With Comparative Totals for the Year Ended December 31, 2000

	<u>Library Fund</u>	<u>Municipal Recreation System Fund</u>	<u>Law Enforcement Block Grants Fund</u>
Revenues:			
General property taxes	\$2,778,559	\$3,207,990	
Intergovernmental revenues	1,327,204	763,592	\$67,520
Charges for services	154,385	4,356,789	
Interest earnings	43,042	139,076	4,563
Net increase in the fair value of investments	13,100	29,500	
Miscellaneous revenues	<u>168,950</u>	<u>45,514</u>	
 Total Revenues	 4,485,240	 8,542,461	 72,083
Other Financing Sources:			
Operating transfers in	<u></u>	<u>325,311</u>	<u>9,269</u>
 Total Revenues and Other Financing Sources	 <u>4,485,240</u>	 <u>8,867,772</u>	 <u>81,352</u>
Expenditures:			
Public safety			72,967
Public works - Airport			
Culture - public library	4,293,090		
Park and recreation	<u></u>	<u>8,744,239</u>	
 Total Expenditures	 4,293,090	 8,744,239	 72,967
Other Financing Uses:			
Operating transfers out	<u>35,000</u>	<u>1,255,912</u>	
 Total Expenditures and Other Financing Uses	 <u>4,328,090</u>	 <u>10,000,151</u>	 <u>72,967</u>
Excess (Deficit) Financing Sources Over Uses	157,150	(1,132,379)	8,385
 Fund Balances - January 1	 <u>1,280,499</u>	 <u>2,144,421</u>	 <u>103,127</u>
 Fund Balances - December 31	 <u><u>\$1,437,649</u></u>	 <u><u>\$1,012,042</u></u>	 <u><u>\$111,512</u></u>

FORM CDEF-2

Airport Operations Fund	Totals	
	2001	2000
\$438,459	\$6,425,008	\$5,954,832
249,907	2,408,223	2,426,171
1,953,195	6,464,369	6,364,923
137,770	324,451	306,327
19,600	62,200	119,000
60,203	274,667	157,636
2,859,134	15,958,918	15,328,889
	334,580	273,806
2,859,134	16,293,498	15,602,695
	72,967	62,701
2,015,307	2,015,307	1,869,128
	4,293,090	3,946,256
	8,744,239	8,270,906
2,015,307	15,125,603	14,148,991
979,357	2,270,269	1,798,807
2,994,664	17,395,872	15,947,798
(135,530)	(1,102,374)	(345,103)
2,675,424	6,203,471	6,548,574
<u>\$2,539,894</u>	<u>\$5,101,097</u>	<u>\$6,203,471</u>

CITY OF ROCHESTER, MINNESOTA

LIBRARY FUND
COMPARATIVE BALANCE SHEETS
December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and cash equivalents	\$26,013	\$44,189
Investments	1,331,753	1,115,483
Accrued interest receivable	16,800	18,100
Accounts receivable		53
Taxes receivable delinquent	25,842	38,148
Due from other governmental units:		
Olmsted County	157,913	152,544
Restricted assets:		
Walter Hurlbut Memorial	33,023	31,587
Alice Mayo Memorial	15,252	14,588
Arthur B. Hall Memorial	13,538	12,949
Clara Siem Memorial	9,572	9,155
V. Huyber Memorial	10,116	9,676
Norman D. Wilson Memorial	13,839	13,237
Prepaid items	<u>98</u>	<u>530</u>
TOTAL ASSETS	<u><u>\$1,653,759</u></u>	<u><u>\$1,460,239</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$147,540	\$84,152
Accrued compensated absences	12,390	20,313
Due to other funds:		
Electric and water utility funds	10,592	10,770
Due to other governmental units:		
State of Minnesota	104	96
Olmsted County	12,825	18,943
Deferred revenue	<u>32,659</u>	<u>45,466</u>
Total Liabilities	<u>216,110</u>	<u>179,740</u>
Fund Balance:		
Reserved for restricted assets	95,340	91,192
Reserved for prepaid items	98	530
Unreserved:		
Designated for future compensated absences	314,263	279,767
Designated for subsequent years' appropriations	344,368	283,654
Undesignated	<u>683,580</u>	<u>625,356</u>
Total Fund Balance	<u>1,437,649</u>	<u>1,280,499</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$1,653,759</u></u>	<u><u>\$1,460,239</u></u>

CITY OF ROCHESTER, MINNESOTA

LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
GENERAL PROPERTY TAXES	\$2,762,479	\$2,778,559	\$16,080	\$2,513,202
INTERGOVERNMENTAL REVENUES:				
Shared state taxes:				
HACA	594,450	597,223	2,773	597,089
PERA aid	13,633	13,633		13,633
Olmsted County	651,588	651,588		633,469
State of Minnesota	64,760	64,760		61,338
Total Intergovernmental Revenues	1,324,431	1,327,204	2,773	1,305,529
CHARGES FOR SERVICES:				
Fines, charges and fees	148,850	154,385	5,535	134,336
MISCELLANEOUS REVENUES:				
Interest earnings		43,042	43,042	37,062
Net increase in the fair value of investments		13,100	13,100	21,600
Contributions	166,008	166,008		53,691
Other	2,820	2,942	122	1,074
Total Miscellaneous Revenues	168,828	225,092	56,264	113,427
Total Revenues	4,404,588	4,485,240	80,652	4,066,494
PUBLIC LIBRARY:				
Employee services	3,138,919	2,984,462	154,457	2,806,999
Contractual services	462,195	439,260	22,935	417,471
Materials and supplies	146,841	153,953	(7,112)	128,079
Other charges	42,696	42,432	264	37,627
Capital outlay	447,985	531,079	(83,094)	399,780
Total	4,238,636	4,151,186	87,450	3,789,956
LIBRARY - SELCO:				
Employee services	115,924	27,618	88,306	29,139
Contractual services				557
Capital outlay	24,858	25,259	(401)	24,621
Total	140,782	52,877	87,905	54,317
GIFTS APPROPRIATIONS:				
Employee services				2,942
Contractual services	28,885	10,734	18,151	13,936
Materials and supplies		985	(985)	1,139
Capital outlay	293,579	77,308	216,271	83,966
Total	322,464	89,027	233,437	101,983
Total Expenditures	4,701,882	4,293,090	408,792	3,946,256
OTHER FINANCING USES:				
Operating transfers out:				
Capital project funds		35,000	(35,000)	50,000
Total Expenditures and Other Financing Uses	4,701,882	4,328,090	373,792	3,996,256
Excess (Deficit) Financing Sources over Uses	(297,294)	157,150	454,444	70,238
Fund Balance - January 1	1,280,499	1,280,499		1,210,261
Fund Balance - December 31	\$983,205	\$1,437,649	\$454,444	\$1,280,499

CITY OF ROCHESTER, MINNESOTA

MUNICIPAL RECREATION SYSTEM FUND
COMPARATIVE BALANCE SHEETS

December 31, 2001 and 2000

	2001	2000
ASSETS		
Cash and cash equivalents	\$156,295	\$586,559
Investments	2,942,612	2,529,874
Accrued interest receivable	37,000	41,000
Accounts receivable	129,530	182,940
Less: Estimated uncollectible		
accounts receivable	(6,410)	(8,734)
Taxes receivable delinquent	31,889	47,413
Special assessments receivable delinquent	4,063	4,407
Due from other funds:		
Electric and water utility funds		507
Due from other governmental units:		
State of Minnesota	359	45
Olmsted County	182,282	186,862
Independent School District 535	26,439	67,096
TOTAL ASSETS	\$3,504,059	\$3,637,969
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$87,341	\$104,395
Accrued compensated absences	29,254	23,011
Due to other funds:		
Electric and water utility funds	140,009	131,814
Capital project funds		70,000
Due to other governmental units:		
State of Minnesota	22,749	10,994
Olmsted County	44,226	79,853
Independent School District 535	12,785	796
Advances from other funds	1,958,931	895,105
Deferred revenue	196,722	177,580
Total Liabilities	<u>2,492,017</u>	<u>1,493,548</u>
Fund Balance:		
Reserved for encumbrances	28,441	36,010
Unreserved:		
Designated for future compensated absences	700,750	690,727
Designated for subsequent years' appropriations	16,882	26,452
Undesignated	265,969	1,391,232
Total Fund Balance	<u>1,012,042</u>	<u>2,144,421</u>
TOTAL LIABILITIES AND FUND BALANCE	\$3,504,059	\$3,637,969

CITY OF ROCHESTER, MINNESOTA

MUNICIPAL RECREATION SYSTEM FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
GENERAL PROPERTY TAXES	<u>\$3,188,062</u>	<u>\$3,207,990</u>	<u>\$19,928</u>	<u>\$3,016,130</u>
INTERGOVERNMENTAL REVENUES:				
Shared state taxes:				
HACA	734,320	737,745	3,425	737,581
PERA aid	18,562	18,562		18,562
Independent School District 535	6,144	6,144		19,659
Olmsted County	7,504	541	(6,963)	
State grants	<u>600</u>	<u>600</u>		
Total Intergovernmental Revenues	<u>767,130</u>	<u>763,592</u>	<u>(3,538)</u>	<u>775,802</u>
CHARGES FOR SERVICES:				
Mayo Civic Center	1,336,729	1,378,563	41,834	1,489,620
Golf	1,309,915	1,223,674	(86,241)	1,275,851
Swimming pools	124,050	122,857	(1,193)	116,034
Recreation	327,450	333,505	6,055	322,227
Tennis Center	10,700	9,835	(865)	9,480
Graham Arenas	370,700	371,113	413	376,684
Volleyball Center	155,000	187,794	32,794	138,047
Recreation Center	611,265	618,152	6,887	556,743
Park programs	62,239	63,509	1,270	77,810
Plummer House	<u>35,000</u>	<u>47,787</u>	<u>12,787</u>	<u>45,419</u>
Total Charges for Services	<u>4,343,048</u>	<u>4,356,789</u>	<u>13,741</u>	<u>4,407,915</u>
MISCELLANEOUS REVENUES:				
Interest earnings	120,000	139,076	19,076	135,786
Net increase in the fair value of investments		29,500	29,500	58,600
Private sources and other	<u>21,554</u>	<u>45,514</u>	<u>23,960</u>	<u>42,485</u>
Total Miscellaneous Revenues	<u>141,554</u>	<u>214,090</u>	<u>72,536</u>	<u>236,871</u>
Total Revenues	<u>8,439,794</u>	<u>8,542,461</u>	<u>102,667</u>	<u>8,436,718</u>
OTHER FINANCING SOURCES:				
Operating transfers in:				
Capital project funds	<u>324,183</u>	<u>325,311</u>	<u>1,128</u>	<u>250,262</u>
Total Revenues and Other Financing Sources	<u>\$8,763,977</u>	<u>\$8,867,772</u>	<u>\$103,795</u>	<u>\$8,686,980</u>

Continued

CITY OF ROCHESTER, MINNESOTA

MUNICIPAL RECREATION SYSTEM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
PARK AND RECREATION:				
Administration:				
Employee services	\$301,287	\$307,682	(\$6,395)	\$272,691
Contractual services	18,495	19,797	(1,302)	21,904
Materials and supplies	4,800	3,193	1,607	3,655
Other charges	6,165	6,405	(240)	4,846
Total	330,747	337,077	(6,330)	303,096
Recreation Department:				
Employee services	402,837	419,528	(16,691)	391,570
Contractual services	57,450	74,834	(17,384)	71,020
Materials and supplies	41,676	34,094	7,582	30,347
Other charges	2,632	3,311	(679)	1,740
Allocated to other activities	(19,224)	(19,294)	70	(18,309)
Total	485,371	512,473	(27,102)	476,368
Golf:				
Employee services	862,621	860,381	2,240	829,314
Contractual services	138,415	136,940	1,475	140,243
Materials and supplies	109,595	112,365	(2,770)	114,000
Other charges	111,898	118,881	(6,983)	102,950
Capital outlay	3,785	3,785		15,280
Total	1,226,314	1,232,352	(6,038)	1,201,787
Tennis Center:				
Employee services	26,420	27,445	(1,025)	26,672
Contractual services	9,810	13,139	(3,329)	9,584
Materials and supplies	3,450	1,652	1,798	3,994
Capital outlay				4,624
Total	39,680	42,236	(2,556)	44,874
Volleyball Center:				
Employee services	56,903	50,062	6,841	46,153
Contractual services	132,542	143,419	(10,877)	121,983
Materials and supplies	5,848	4,039	1,809	6,407
Other charges	1,488	2,562	(1,074)	2,823
Total	196,781	200,082	(3,301)	177,366
Swimming Pools:				
Employee services	108,345	121,206	(12,861)	113,529
Contractual services	52,440	58,591	(6,151)	51,990
Materials and supplies	17,500	19,779	(2,279)	18,648
Other charges	1,000	692	308	669
Capital outlay	2,400		2,400	
Total	181,685	200,268	(18,583)	184,836

CITY OF ROCHESTER, MINNESOTA

MUNICIPAL RECREATION SYSTEM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	<u>Final Budget 2001</u>	<u>Actual 2001</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Actual 2000</u>
PARK AND RECREATION: (continued)				
Graham Arenas:				
Employee services	\$160,449	\$149,433	\$11,016	\$128,955
Contractual services	173,955	170,560	3,395	147,373
Materials and supplies	20,760	20,018	742	24,795
Other charges	28,461	28,446	15	27,881
Capital outlay	<u>1,000</u>		<u>1,000</u>	
Total	<u>384,625</u>	<u>368,457</u>	<u>16,168</u>	<u>329,004</u>
Park:				
Employee services	1,738,510	1,669,784	68,726	1,599,844
Contractual services	430,337	494,454	(64,117)	448,666
Materials and supplies	224,205	248,808	(24,603)	246,389
Other charges	203,282	208,016	(4,734)	186,616
Capital outlay	2,500		2,500	5,765
Allocated to other activities	<u>(30,000)</u>	<u>(52,434)</u>	<u>22,434</u>	<u>(101,686)</u>
Total	<u>2,568,834</u>	<u>2,568,628</u>	<u>206</u>	<u>2,385,594</u>
Plummer House:				
Employee services	6,459	3,746	2,713	4,226
Contractual services	25,855	40,680	(14,825)	39,303
Materials and supplies	5,450	5,016	434	6,715
Capital outlay	<u>2,500</u>		<u>2,500</u>	
Total	<u>40,264</u>	<u>49,442</u>	<u>(9,178)</u>	<u>50,244</u>
Recreation Center:				
Employee services	549,793	549,034	759	525,275
Contractual services	430,630	463,229	(32,599)	442,382
Materials and supplies	72,169	75,526	(3,357)	83,002
Other charges	<u>6,776</u>	<u>6,719</u>	<u>57</u>	<u>6,402</u>
Total	<u>1,059,368</u>	<u>1,094,508</u>	<u>(35,140)</u>	<u>1,057,061</u>
Flood Control Maintenance:				
Employee services	123,180	105,806	17,374	18,012
Contractual services	137,331	158,370	(21,039)	184,906
Materials and supplies	34,580	22,163	12,417	23,872
Other charges	<u>28,788</u>	<u>25,791</u>	<u>2,997</u>	<u>22,730</u>
Total	<u>323,879</u>	<u>312,130</u>	<u>11,749</u>	<u>249,520</u>

Continued

CITY OF ROCHESTER, MINNESOTA

MUNICIPAL RECREATION SYSTEM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Amounts For the Year Ended December 31, 2000

	<u>Final Budget 2001</u>	<u>Actual 2001</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Actual 2000</u>
PARK AND RECREATION: (continued)				
Mayo Civic Center:				
Employee services	\$1,044,628	\$1,039,099	\$5,529	\$1,027,846
Contractual services	711,598	643,200	68,398	664,895
Materials and supplies	97,540	87,957	9,583	65,556
Other charges	19,942	24,667	(4,725)	22,886
Capital outlay	6,000	2,402	3,598	
Total	<u>1,879,708</u>	<u>1,797,325</u>	<u>82,383</u>	<u>1,781,183</u>
Mayo Civic Center Promotional Fund:				
Contractual services	40,643	29,261	11,382	29,949
Other charges				24
Total	<u>40,643</u>	<u>29,261</u>	<u>11,382</u>	<u>29,973</u>
Total Expenditures	<u>8,757,899</u>	<u>8,744,239</u>	<u>13,660</u>	<u>8,270,906</u>
OTHER FINANCING USES:				
Operating transfers out:				
Capital project funds	<u>1,133,826</u>	<u>1,255,912</u>	<u>(122,086)</u>	<u>974,065</u>
Total Expenditures and Other Financing Uses	<u>9,891,725</u>	<u>10,000,151</u>	<u>(108,426)</u>	<u>9,244,971</u>
Excess (Deficit) Financing Sources Over Uses	(1,127,748)	(1,132,379)	(4,631)	(557,991)
Fund Balance - January 1	<u>2,144,421</u>	<u>2,144,421</u>		<u>2,702,412</u>
Fund Balance - December 31	<u><u>\$1,016,673</u></u>	<u><u>\$1,012,042</u></u>	<u><u>(\$4,631)</u></u>	<u><u>\$2,144,421</u></u>

CITY OF ROCHESTER, MINNESOTA

LAW ENFORCEMENT BLOCK GRANTS FUND
COMPARATIVE BALANCE SHEETS*December 31, 2001 and 2000*

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and cash equivalents	<u>\$111,885</u>	<u>\$106,921</u>
TOTAL ASSETS	<u><u>\$111,885</u></u>	<u><u>\$106,921</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$338	\$3,426
Due to other governmental units:		
State of Minnesota	35	1
Olmsted County	<u> </u>	<u>367</u>
Total Liabilities	<u>373</u>	<u>3,794</u>
Fund Balance:		
Unreserved, undesignated	<u>111,512</u>	<u>103,127</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$111,885</u></u>	<u><u>\$106,921</u></u>

CITY OF ROCHESTER, MINNESOTA

LAW ENFORCEMENT BLOCK GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2001
With Comparative Totals for the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
Revenues:				
Federal grants	\$67,520	\$67,520		\$122,047
Interest earnings		4,563	\$4,563	2,212
Total Revenues	67,520	72,083	4,563	124,259
Other Financing Sources:				
Operating transfers in:				
General fund	9,269	9,269		20,644
Total Revenues and Other Financing Sources	76,789	81,352	4,563	144,903
Expenditures:				
Law Enforcement Block Grant III:				
Contractual services	1,767	1,417	350	25,709
Materials and supplies				2,217
Other charges				593
Total	1,767	1,417	350	28,519
Law Enforcement Block Grant IV:				
Contractual services	37,401	6,716	30,685	8,112
Materials and supplies		17,566	(17,566)	11,436
Other charges	688	3,700	(3,012)	297
Capital outlay		7,142	(7,142)	11,133
Total	38,089	35,124	2,965	30,978
Law Enforcement Block Grant V:				
Contractual services	61,076	14,676	46,400	366
Materials and supplies		20,229	(20,229)	
Other charges	2,276		2,276	
Capital outlay	5,000	(338)	5,338	2,838
Total	68,352	34,567	33,785	3,204
Law Enforcement Block Grant VI:				
Contractual services	7,502	1,859	5,643	
Other charges	69,119		69,119	
Total	76,621	1,859	74,762	
Total Expenditures	184,829	72,967	111,862	62,701
Excess (Deficit) Financing Sources over Uses	(108,040)	8,385	116,425	82,202
Fund Balance - January 1	103,127	103,127		20,925
Fund Balance - December 31	<u>(\$4,913)</u>	<u>\$111,512</u>	<u>\$116,425</u>	<u>\$103,127</u>

CITY OF ROCHESTER, MINNESOTA

AIRPORT OPERATIONS FUND
COMPARATIVE BALANCE SHEETS

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and cash equivalents	\$185,151	\$204,723
Investments	2,027,865	1,704,405
Accrued interest receivable	25,400	27,600
Accounts receivable	875,564	832,710
Taxes receivable delinquent	3,093	5,210
Due from other governmental units:		
State of Minnesota		1,535
Olmsted County	<u>25,141</u>	<u>24,218</u>
TOTAL ASSETS	<u>\$3,142,214</u>	<u>\$2,800,401</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$47,561	\$46,991
Due to other funds:		
Electric and water utility funds	27,688	24,914
Capital project funds	491,867	
Due to other governmental units:		
Federal government	1,415	100
Deferred revenue	<u>33,789</u>	<u>52,972</u>
Total Liabilities	<u>602,320</u>	<u>124,977</u>
Fund Balance:		
Unreserved, undesignated	<u>2,539,894</u>	<u>2,675,424</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$3,142,214</u>	<u>\$2,800,401</u>

CITY OF ROCHESTER, MINNESOTA

AIRPORT OPERATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2001

With Comparative Totals for the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
GENERAL PROPERTY TAXES	<u>\$435,674</u>	<u>\$438,459</u>	<u>\$2,785</u>	<u>\$425,500</u>
INTERGOVERNMENTAL REVENUES:				
Shared state taxes - HACA	118,016	118,567	551	118,540
State grants	<u>131,340</u>	<u>131,340</u>		<u>104,253</u>
Total Intergovernmental Revenues	<u>249,356</u>	<u>249,907</u>	<u>551</u>	<u>222,793</u>
CHARGES FOR SERVICES:				
Fees and commissions	1,323,800	1,368,164	44,364	1,318,287
Land and building rental	<u>662,400</u>	<u>585,031</u>	<u>(77,369)</u>	<u>504,385</u>
Total Charges for Services	<u>1,986,200</u>	<u>1,953,195</u>	<u>(33,005)</u>	<u>1,822,672</u>
MISCELLANEOUS REVENUES:				
Interest earnings	88,000	137,770	49,770	131,267
Net increase in the fair value of investments		19,600	19,600	38,800
Private sources	45,250	43,813	(1,437)	41,210
Reimbursements	9,118	9,118		11,216
Other		<u>7,272</u>	<u>7,272</u>	<u>7,960</u>
Total Miscellaneous Revenues	<u>142,368</u>	<u>217,573</u>	<u>75,205</u>	<u>230,453</u>
Total Revenues	<u>2,813,598</u>	<u>2,859,134</u>	<u>45,536</u>	<u>2,701,418</u>
OTHER FINANCING SOURCES:				
Operating transfers in: Capital project funds				<u>2,900</u>
Total Revenues and Other Financing Sources	<u>2,813,598</u>	<u>2,859,134</u>	<u>45,536</u>	<u>2,704,318</u>
AIRPORT OPERATIONS:				
Contractual services	1,916,544	1,909,502	7,042	1,769,166
Other charges		<u>9,060</u>	<u>(9,060)</u>	<u>8,499</u>
Total	<u>1,916,544</u>	<u>1,918,562</u>	<u>(2,018)</u>	<u>1,777,665</u>
US CUSTOMS OPERATIONS:				
Contractual services	<u>99,618</u>	<u>96,745</u>	<u>2,873</u>	<u>91,463</u>
Total Expenditures	<u>2,016,162</u>	<u>2,015,307</u>	<u>855</u>	<u>1,869,128</u>

CITY OF ROCHESTER, MINNESOTA

AIRPORT OPERATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended December 31, 2001

With Comparative Totals for the Year Ended December 31, 2000

	Final Budget 2001	Actual 2001	Variance- Favorable (Unfavorable)	Actual 2000
OTHER FINANCING USES:				
Operating transfers out:				
Capital project funds	\$487,490	\$979,357	(\$491,867)	\$774,742
Total Expenditures and Other Financing Uses	2,503,652	2,994,664	(491,012)	2,643,870
Excess (Deficit) Financing Sources over Uses	309,946	(135,530)	(445,476)	60,448
Fund Balance - January 1	2,675,424	2,675,424		2,614,976
Fund Balance - December 31	<u>\$2,985,370</u>	<u>\$2,539,894</u>	<u>(\$445,476)</u>	<u>\$2,675,424</u>

ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION (CONTINUED)

**COMBINING AND INDIVIDUAL FUND
AND ACCOUNT GROUP STATEMENTS**

DEBT SERVICE FUNDS (Form G)

The Debt Service Funds are maintained according to Chapter XI of the City Charter. Debt Service Funds are maintained on the modified accrual basis of accounting for revenues from taxes and other sources set aside for the payment of the general debt obligations of the City.

Sales Tax Revenue Bonds:

These funds are used to account for the accumulation of resources (sales tax revenue) for payment of sales tax revenue general obligation improvement bonds and interest.

Tax Increment Bonds:

These funds are used to account for the accumulation of resources (tax increment revenue) for payment of tax increment general obligation bonds and interest.

Airport Hangar Construction Notes:

These funds are used to account for the accumulation of resources (hangar rental income) for payment of hangar construction notes.

CITY OF ROCHESTER, MINNESOTA

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET**

December 31, 2001

With Comparative Totals For December 31, 2000

	<u>Sales Tax Revenue Bonds</u>	<u>Tax Increment Bonds</u>
ASSETS		
Cash and cash equivalents	<u>\$2,606</u>	<u>\$1,099</u>
TOTAL ASSETS	<u><u>\$2,606</u></u>	<u><u>\$1,099</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		<u>\$649</u>
Fund Balances:		
Reserved for debt service	<u>\$2,606</u>	<u>450</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$2,606</u></u>	<u><u>\$1,099</u></u>

Airport Hangar Construction Notes	Totals	
	2001	2000
	\$3,705	\$4,349
	\$3,705	\$4,349
	\$649	\$644
	3,056	3,705
	\$3,705	\$4,349

CITY OF ROCHESTER, MINNESOTA

**DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

For the Year Ended December 31, 2001

With Comparative Totals For the Year Ended December 31, 2000

	Sales Tax Revenue Bonds	Tax Increment Bonds
	<hr/>	<hr/>
Revenues:		
Tax increments		\$1,584,250
Sales tax	\$1,469,715	
Miscellaneous revenue:		
Interest earnings		
Net increase in the fair value of investments		
	<hr/>	<hr/>
Total Revenues	<u>1,469,715</u>	<u>1,584,250</u>
Other Financing Sources:		
Bond proceeds		
Operating transfers in:		
Capital project funds		
Total Other Financing Sources		
Total Revenues and Other Financing Sources	<u>1,469,715</u>	<u>1,584,250</u>
Expenditures:		
Principal retirement		975,000
Interest on bonds	1,469,715	609,250
Fiscal agent and bond issuance charges		649
	<hr/>	<hr/>
Total Expenditures	<u>1,469,715</u>	<u>1,584,899</u>
Excess (Deficit) Financing Sources Over Uses	<hr/>	<u>(649)</u>
Fund Balances - January 1	<u>2,606</u>	<u>1,099</u>
Fund Balances - December 31	<u><u>\$2,606</u></u>	<u><u>\$450</u></u>

FORM G-2

Airport Hangar Construction Notes	Totals	
	2001	2000
	\$1,584,250	\$2,665,411
	1,469,715	5,953
		36,827
		5,800
	3,053,965	2,713,991
		351,529
\$36,005	36,005	73,087
36,005	36,005	424,616
36,005	3,089,970	3,138,607
36,005	1,011,005	2,222,650
	2,078,965	1,078,276
	649	90,269
36,005	3,090,619	3,391,195
	(649)	(252,588)
	3,705	256,293
	\$3,056	\$3,705

CITY OF ROCHESTER, MINNESOTA

ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2001

FINANCIAL SECTION (CONTINUED)

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS

CAPITAL PROJECT FUNDS (FORM H)

Chapter XI of the City Charter permits the establishment of one or more Capital Improvement Funds. The Common Council has by resolution established the Permanent Improvement Fund, "into which shall be deposited all taxes levied and such other monies directed by the Common Council including proceeds from the issuance of general improvement bonds for the acquisition, improvement and construction of lands, buildings, bridges and other permanent improvements." Revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which they are incurred.

Airport Development Fund:

This fund accounts for the financial resources to be used for airport development purposes.

Park Recreational and Cultural Development Fund:

This fund accounts for the financial resources to be used for park recreational and cultural development capital improvement purposes.

Mass Transit Projects Fund:

This fund accounts for the financial resources to be used for mass transit capital improvement project purposes.

Community Development Projects Fund:

This fund was established to account for the financial resources received under Title I of the Housing and Community Development Act of 1974, in connection with capital projects.

Tax Increment District Fund:

This fund accounts for the tax increment revenues to be used for development districts project purposes.

Construction Improvement Fund:

This fund accounts for the financial resources to be used for street, sewer and water, and construction other than that financed by proprietary funds.

CITY OF ROCHESTER, MINNESOTA

**CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET**

December 31, 2001

With Comparative Totals for December 31, 2000

	<u>Airport Development</u>	<u>Park Recreational and Cultural Development</u>	<u>Mass Transit Projects</u>	<u>Community Development Projects</u>
ASSETS				
Cash and cash equivalents		\$926,714	\$74,540	
Investments		4,042,511	395,627	
Accrued interest receivable		48,601	4,757	
Accounts receivable		138,513		\$1,388
Loans receivable				2,706,833
Taxes receivable delinquent				
Special assessments receivable deferred				
Special assessments receivable delinquent				
Utility connection charges receivable deferred				
Due from other funds	\$491,867			
Due from other governmental units	1,311,385	88,005		148,365
Advances to other funds				
Deferred charges and other assets				
TOTAL ASSETS	<u><u>\$1,803,252</u></u>	<u><u>\$5,244,344</u></u>	<u><u>\$474,924</u></u>	<u><u>\$2,856,586</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$462,225	\$109,682	\$90	\$114,858
Contracts payable				
Tenant deposits				300
Due to other funds	268,446			26,192
Due to other governmental units	1,003	3,381		8,403
Advances from other funds				
Deferred revenue				<u>2,706,833</u>
Total Liabilities	<u>731,674</u>	<u>113,063</u>	<u>90</u>	<u>2,856,586</u>
Fund Balances:				
Reserved for encumbrances	1,727,269	456,067		
Reserved for interfund advances				
Unreserved, undesignated	<u>(655,691)</u>	<u>4,675,214</u>	<u>474,834</u>	
Total Fund Balances	<u>1,071,578</u>	<u>5,131,281</u>	<u>474,834</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$1,803,252</u></u>	<u><u>\$5,244,344</u></u>	<u><u>\$474,924</u></u>	<u><u>\$2,856,586</u></u>

FORM H-1

Tax Increment District	Construction Improvements	Totals	
		2001	2000
	\$3,684,834	\$4,686,088	\$6,001,516
\$2,294,570	60,142,827	66,875,535	68,882,457
27,800	579,043	660,201	915,000
	661,688	801,589	1,463,484
1,069,118	609,562	4,385,513	4,466,416
13,455	20,955	34,410	113,619
	8,007,308	8,007,308	8,535,891
	62,338	62,338	54,659
	54,680	54,680	36,758
	1,260,035	1,751,902	2,503,030
299,834	2,221,247	4,068,836	4,680,761
	3,886,681	3,886,681	2,880,105
	120,554	120,554	120,554
<u>\$3,704,777</u>	<u>\$81,311,752</u>	<u>\$95,395,635</u>	<u>\$100,654,250</u>
	\$289,700	\$976,555	\$2,797,423
\$3,408	13,658	17,066	36,734
	4,300	4,600	19,282
666,508	291	961,437	5,633
	39,330	52,117	104,432
1,927,750		1,927,750	1,985,000
1,082,573	8,875,396	12,664,802	13,327,897
<u>3,680,239</u>	<u>9,222,675</u>	<u>16,604,327</u>	<u>18,276,401</u>
	5,501,529	7,684,865	17,380,563
	3,886,681	3,886,681	2,880,105
24,538	62,700,867	67,219,762	62,117,181
<u>24,538</u>	<u>72,089,077</u>	<u>78,791,308</u>	<u>82,377,849</u>
<u>\$3,704,777</u>	<u>\$81,311,752</u>	<u>\$95,395,635</u>	<u>\$100,654,250</u>

CITY OF ROCHESTER, MINNESOTA

**CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

For the Year Ended December 31, 2001

With Comparative Totals for the Year Ended December 31, 2000

	<u>Airport Development</u>	<u>Park Recreational and Cultural Development</u>	<u>Mass Transit Projects</u>	<u>Community Development Projects</u>
Revenues:				
General property taxes		\$571,051	\$21,181	
Tax increments				
Sales tax				
Special assessments				
Utility connection and availability				
Intergovernmental revenues:				
Shared state taxes:				
Highway user construction				
HACA		102,949	3,819	
County appropriation				
State grants	\$1,211,232	174,594	21,522	
Federal grants	1,084,985		368,338	\$628,473
Miscellaneous revenue:				
Rental of real property	42,215	8,688		
Interest earnings	63,778	361,390	16,783	206
Net increase (decrease) in the fair value of investments	32,886	(17,252)	7,488	
Sale of property		6,932		
Private sources		412,705		
Other	356,441	11,310		109,408
Total Revenues	<u>2,791,537</u>	<u>1,632,367</u>	<u>439,131</u>	<u>738,087</u>
Other Financing Sources:				
Bond proceeds				
Loan proceeds	210,049			
Operating transfers in	979,357	1,804,111	70,000	17,000
Total Other Financing Sources	<u>1,189,406</u>	<u>1,804,111</u>	<u>70,000</u>	<u>17,000</u>
Total Revenues and Other Financing Sources	<u>3,980,943</u>	<u>3,436,478</u>	<u>509,131</u>	<u>755,087</u>
Expenditures:				
Capital outlay	4,495,903	12,652,730	464,490	731,069
Other Financing Uses:				
Operating transfers out	36,005	3,785		24,018
Total Expenditures and Other Financing Uses	<u>4,531,908</u>	<u>12,656,515</u>	<u>464,490</u>	<u>755,087</u>
Excess (Deficit) Sources Over Uses	(550,965)	(9,220,037)	44,641	
Fund Balances (Deficit) - January 1	1,622,543	14,351,318	430,193	
Residual Equity Transfers In				
Fund Balances - December 31	<u><u>\$1,071,578</u></u>	<u><u>\$5,131,281</u></u>	<u><u>\$474,834</u></u>	

FORM H-2

Tax Increment District	Construction Improvements	Totals	
		2001	2000
\$2,715,711	\$1,015,067	\$1,607,299	\$5,379,649
		2,715,711	1,278,085
	6,743,853	6,743,853	7,626,757
	1,305,103	1,305,103	2,043,747
	1,667,076	1,667,076	2,029,107
	1,347,635	1,347,635	2,704,041
	182,996	289,764	289,764
	287,555	287,555	117,238
	373,932	1,781,280	5,181,883
	97,982	2,179,778	5,640,867
114,259	57,194	108,097	105,073
	4,769,172	5,325,588	4,012,866
	488,177	511,299	1,028,000
	348,060	354,992	124,794
	979,469	1,392,174	1,984,349
	102,941	1,746,672	2,701,953
<u>2,932,911</u>	<u>20,829,843</u>	<u>29,363,876</u>	<u>42,248,173</u>
	758,673	758,673	27,273,471
		210,049	
	<u>2,508,326</u>	<u>5,378,794</u>	<u>10,036,051</u>
	<u>3,266,999</u>	<u>6,347,516</u>	<u>37,309,522</u>
<u>2,932,911</u>	<u>24,096,842</u>	<u>35,711,392</u>	<u>79,557,695</u>
1,590,765	18,270,187	38,205,144	45,753,554
<u>327,646</u>	<u>701,335</u>	<u>1,092,789</u>	<u>3,652,158</u>
<u>1,918,411</u>	<u>18,971,522</u>	<u>39,297,933</u>	<u>49,405,712</u>
1,014,500	5,125,320	(3,586,541)	30,151,983
(989,962)	66,963,757	82,377,849	52,084,480
			141,386
<u>\$24,538</u>	<u>\$72,089,077</u>	<u>\$78,791,308</u>	<u>\$82,377,849</u>

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

PROPRIETARY FUND TYPES

ENTERPRISE

INTERNAL SERVICE

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION (CONTINUED)

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS

ENTERPRISE FUNDS (FORM I)

The City Charter provides in Chapter XI, that one or more utility or other public service enterprise funds shall be established into which shall be paid all money derived from the sale of bonds issued on account of any municipally owned utility or enterprise and all money derived from the sale of utility or other public enterprise services and from the sale of property acquired for or used in connection with any such utility or enterprise. There shall be paid out of this fund the cost of the purchase, construction, operation, maintenance and repair of such utility or enterprise, including the principal of and interest upon obligations which have or shall be issued on its account. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The accrual basis of accounting is used. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Parking Fund:

This fund accounts for the operation of the parking enterprise.

Electric Utility Fund:

This fund accounts for the operations of the City owned electric utility system.

Water Utility Fund:

This fund accounts for the operation of the City owned water utility system.

Sewer Utility Fund:

This fund was established to account for the operations of the City owned water reclamation plant.

CITY OF ROCHESTER, MINNESOTA

**ENTERPRISE FUNDS
COMBINING BALANCE SHEET**

December 31, 2001

With Comparative Totals for December 31, 2000

	Parking Fund	Electric Utility Fund	Water Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$689,584	\$9,710,602	\$2,214,825
Investments	7,474,084		
Accrued interest receivable	94,000	167,778	
Accounts receivable		5,588,717	397,417
Accrued utility revenues		3,611,426	101,587
Inventory, material, supplies and fuel		5,969,325	132,787
Taxes receivable delinquent			
Prepaid expenses		1,533	
Due from other funds		501,292	
Due from other governmental units	927		
Restricted assets		14,745,285	12,076
Total Current Assets	<u>8,258,595</u>	<u>40,295,958</u>	<u>2,858,692</u>
Property, Plant and Equipment:			
Plant in service	27,514,658	143,943,711	22,084,922
Less: Accumulated depreciation	<u>(8,762,083)</u>	<u>(71,991,416)</u>	<u>(7,019,175)</u>
Net	18,752,575	71,952,295	15,065,747
Construction work in process	192,542	31,532,744	2,120,267
Total Property, Plant and Equipment	<u>18,945,117</u>	<u>103,485,039</u>	<u>17,186,014</u>
Other Assets:			
Deferred charges and other assets		<u>1,032,071</u>	
TOTAL ASSETS	<u><u>\$27,203,712</u></u>	<u><u>\$144,813,068</u></u>	<u><u>\$20,044,706</u></u>
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Accounts and contracts payable	\$124,169	\$9,167,170	\$587,280
Customer deposits	3,484	269,888	245
Accrued interest payable		165,219	
Accrued compensated absences	41,574	1,064,023	111,144
Due to other funds	249	1,570,328	
Due to other governmental units	13,676	264,517	607
Deferred revenue	88,837	841,745	
Bonds payable		600,000	
Notes payable		200,000	
Total Current Liabilities	<u>271,989</u>	<u>14,142,890</u>	<u>699,276</u>
Long-Term Liabilities:			
Bonds payable		36,115,000	
Unamortized bond discount and issue costs		(351,919)	
Notes payable		200,000	
Accrued compensated absences		588,899	38,817
Accrued claims		207,000	15,000
Deferred revenue		1,108,215	21,647
Total Long-Term Liabilities		<u>37,867,195</u>	<u>75,464</u>
Total Liabilities	<u>271,989</u>	<u>52,010,085</u>	<u>774,740</u>
Fund Equity:			
Contributed capital:			
Municipality	19,484,233		
Capital grants	4,416		
Total Contributed Capital	<u>19,488,649</u>		
Retained Earnings:			
Reserved for debt service		2,471,688	
Unreserved	7,443,074	90,331,295	19,269,966
Total Retained Earnings	<u>7,443,074</u>	<u>92,802,983</u>	<u>19,269,966</u>
Total Fund Equity	<u>26,931,723</u>	<u>92,802,983</u>	<u>19,269,966</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$27,203,712</u></u>	<u><u>\$144,813,068</u></u>	<u><u>\$20,044,706</u></u>

Sewer Utility Fund	Totals	
	2001	2000
\$977,615	\$13,592,626	\$8,345,597
10,557,833	18,031,917	20,278,965
132,800	394,578	352,626
3,434	5,989,568	6,964,335
153,254	3,866,267	3,990,781
6,751	6,108,863	3,556,796
1,750	1,750	2,395
	1,533	4,087
674,877	1,176,169	1,203,822
11,338	12,265	11,275
	14,757,361	37,801,468
<u>12,519,652</u>	<u>63,932,897</u>	<u>82,512,147</u>
90,634,819	284,178,110	277,884,467
<u>(50,564,433)</u>	<u>(138,337,107)</u>	<u>(131,464,009)</u>
40,070,386	145,841,003	146,420,458
946,490	34,792,043	8,774,938
<u>41,016,876</u>	<u>180,633,046</u>	<u>155,195,396</u>
	<u>1,032,071</u>	<u>716,843</u>
<u>\$53,536,528</u>	<u>\$245,598,014</u>	<u>\$238,424,386</u>
\$80,302	\$9,958,921	\$7,037,136
	273,617	258,973
35,878	201,097	213,788
	1,216,741	1,269,003
150,988	1,721,565	3,928,850
6,537	285,337	299,182
84,610	1,015,192	188,473
655,000	1,255,000	1,200,000
	200,000	200,000
<u>1,013,315</u>	<u>16,127,470</u>	<u>14,595,405</u>
7,620,000	43,735,000	44,965,000
(113,376)	(465,295)	(393,133)
	200,000	400,000
311,108	938,824	747,326
	222,000	228,000
	1,129,862	3,046,470
<u>7,817,732</u>	<u>45,760,391</u>	<u>48,993,663</u>
<u>8,831,047</u>	<u>61,887,861</u>	<u>63,589,068</u>
3,161,885	22,646,118	22,646,118
<u>20,726,632</u>	<u>20,731,048</u>	<u>22,064,804</u>
<u>23,888,517</u>	<u>43,377,166</u>	<u>44,710,922</u>
221,687	2,693,375	2,821,467
<u>20,595,277</u>	<u>137,639,612</u>	<u>127,302,929</u>
<u>20,816,964</u>	<u>140,332,987</u>	<u>130,124,396</u>
<u>44,705,481</u>	<u>183,710,153</u>	<u>174,835,318</u>
<u>\$53,536,528</u>	<u>\$245,598,014</u>	<u>\$238,424,386</u>

CITY OF ROCHESTER, MINNESOTA

**ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

For the Year Ended December 31, 2001

With Comparative Totals For the Year Ended December 31, 2000

	<u>Parking Fund</u>	<u>Electric Utility Fund</u>	<u>Water Utility Fund</u>
Operating Revenues:			
Sales and charges for services	\$3,219,222	\$89,021,174	\$5,416,359
Miscellaneous	<u>1,172,324</u>	<u>285,221</u>	<u>285,221</u>
Total Operating Revenues	<u>3,219,222</u>	<u>90,193,498</u>	<u>5,701,580</u>
Operating Expenses:			
Fuel and purchased power		61,665,530	
Maintenance and operations	1,804,614	14,148,627	3,396,328
Contribution in lieu of taxes	246,913	6,515,744	321,248
Depreciation	<u>823,228</u>	<u>3,826,040</u>	<u>511,212</u>
Total Operating Expenses	<u>2,874,755</u>	<u>86,155,941</u>	<u>4,228,788</u>
Operating Income	<u>344,467</u>	<u>4,037,557</u>	<u>1,472,792</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Intergovernmental revenues	577		
Interest earnings	431,076	2,285,171	74,313
Net increase in the fair value of investments	72,800		
Interest and fiscal charges		(1,437,761)	
Gain (loss) on disposal of property	(126,806)	(13,403)	(1,747)
Other income (expense)	<u>2,100</u>	<u>1,108,500</u>	<u>9,350</u>
Total Nonoperating Revenues (Expenses)	<u>379,747</u>	<u>1,942,507</u>	<u>81,916</u>
Net Income Before Operating Transfers	724,214	5,980,064	1,554,708
Operating Transfers In			
Operating Transfers Out	<u>(17,097)</u>		
Net Income	707,117	5,980,064	1,554,708
Add: Depreciation of fixed assets acquired by capital grants	<u>712</u>		
Increase in Retained Earnings	707,829	5,980,064	1,554,708
Retained Earnings - January 1	<u>6,735,245</u>	<u>86,822,919</u>	<u>17,715,258</u>
Retained Earnings - December 31	<u><u>\$7,443,074</u></u>	<u><u>\$92,802,983</u></u>	<u><u>\$19,269,966</u></u>

Sewer Utility Fund	Totals	
	2001	2000
\$9,006,107	\$106,662,862	\$103,766,980
53,255	1,510,800	1,327,431
9,059,362	108,173,662	105,094,411
	61,665,530	63,392,334
4,936,409	24,285,978	23,652,892
480,000	7,563,905	7,232,879
2,860,099	8,020,579	7,543,162
8,276,508	101,535,992	101,821,267
782,854	6,637,670	3,273,144
188,944	188,944	154,886
48,742	49,319	49,310
729,184	3,519,744	1,815,427
101,000	173,800	351,600
(499,444)	(1,937,205)	(601,601)
(42,967)	(184,923)	(6)
74,634	1,194,584	60,803
600,093	3,004,263	1,830,419
1,382,947	9,641,933	5,103,563
		412,382
(750,000)	(767,097)	(3,816,195)
632,947	8,874,836	1,699,750
1,333,043	1,333,755	1,314,978
1,965,990	10,208,591	3,014,728
18,850,974	130,124,396	127,109,668
\$20,816,964	\$140,332,987	\$130,124,396

CITY OF ROCHESTER, MINNESOTA

**ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2001

With Comparative Totals For the Year Ended December 31, 2000

	<u>Parking Fund</u>	<u>Electric Utility Fund</u>	<u>Water Utility Fund</u>
Cash Flows From Operating Activities:			
Cash received from customers	\$3,241,839	\$87,842,529	\$5,626,913
Cash received from other City funds		3,296,997	143,320
Cash paid to employees	(206,642)	(11,695,308)	(1,252,785)
Cash paid to suppliers	(1,518,766)	(68,746,429)	(2,358,281)
Other income	2,100	1,187,969	9,350
Other expense		(79,469)	
Contribution in lieu of taxes	(246,913)	(6,539,170)	(320,503)
Net Cash Provided by Operating Activities	<u>1,271,618</u>	<u>5,267,119</u>	<u>1,848,014</u>
Cash Flows From Noncapital Financing Activities:			
General property taxes			
Intergovernmental revenues	577		
Operating transfers in			
Operating transfers out	<u>(17,097)</u>		
Net Cash (Used in) Noncapital Financing Activities	<u>(16,520)</u>		
Cash Flows From Capital and Related Financing Activities:			
Contributed capital			
Proceeds from issuance of long-term debt		(575,000)	
Principal payments on bonds		(1,421,272)	
Interest and fiscal charges on bonds		(200,000)	
Payments on installment obligations			
Additions to property	<u>(723,584)</u>	<u>(26,663,602)</u>	<u>(1,055,380)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(723,584)</u>	<u>(28,859,874)</u>	<u>(1,055,380)</u>
Cash Flows From Investing Activities:			
Investment income	440,076	2,191,519	74,313
Increase in investments	(1,039,873)		
Decrease in investments		3,075,323	
Net Cash Provided by (Used In) Invested Activities	<u>(599,797)</u>	<u>5,266,842</u>	<u>74,313</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(68,283)	(18,325,913)	866,947
Cash and Cash Equivalents, Beginning of Year	<u>757,867</u>	<u>42,781,800</u>	<u>1,359,954</u>
Cash and Cash Equivalents, End of Year	<u><u>\$689,584</u></u>	<u><u>\$24,455,887</u></u>	<u><u>\$2,226,901</u></u>
Classified As:			
Current Assets	\$689,584	\$9,710,602	\$2,214,825
Restricted Assets		14,745,285	12,076
Total Cash and Cash Equivalents, End of Year	<u><u>\$689,584</u></u>	<u><u>\$24,455,887</u></u>	<u><u>\$2,226,901</u></u>

FORM I-3

Sewer Utility Fund	Totals	
	2001	2000
\$9,106,751	\$105,818,032	\$104,829,435
25,664	3,465,981	3,428,167
(2,062,145)	(15,216,880)	(14,512,815)
(2,883,090)	(75,506,566)	(76,341,708)
74,634	1,274,053	107,742
	(79,469)	(46,939)
(480,000)	(7,586,586)	(7,122,252)
3,781,814	12,168,565	10,341,630
189,589	189,589	153,661
48,742	49,319	49,310
		412,382
(2,750,000)	(2,767,097)	(1,816,195)
(2,511,669)	(2,528,189)	(1,200,842)
8,260,544	8,260,544	376,174
(8,875,000)	(9,450,000)	36,608,459
(509,602)	(1,930,874)	(575,000)
	(200,000)	(572,188)
(1,573,198)	(30,015,764)	(200,000)
		(9,952,395)
(2,697,256)	(33,336,094)	25,685,050
771,884	3,477,792	1,881,701
	(1,039,873)	(2,950,765)
385,398	3,460,721	5,981,710
1,157,282	5,898,640	4,912,646
(269,829)	(17,797,078)	39,738,484
1,247,444	46,147,065	6,408,581
\$977,615	\$28,349,987	\$46,147,065
\$977,615	\$13,592,626	\$8,345,597
	14,757,361	37,801,468
\$977,615	\$28,349,987	\$46,147,065

Continued

CITY OF ROCHESTER, MINNESOTA

**ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**

For the Year Ended December 31, 2001

With Comparative Totals For the Year Ended December 31, 2000

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

	<u>Parking Fund</u>	<u>Electric Utility Fund</u>	<u>Water Utility Fund</u>
Operating Income	\$344,467	\$4,037,557	\$1,472,792
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation expense	823,228	3,826,040	511,212
Other income	2,100	1,108,500	9,350
Other expense			
(Increase) Decrease In:			
Accounts receivable	42,850	881,158	47,708
Accrued utility revenues		107,252	10,635
Inventory		(2,553,760)	(519)
Prepaid expenses		2,554	
Due from other funds		(37,857)	
Due from other governmental units	118		
Other assets			
Increase (Decrease) In:			
Accounts and contracts payable, operations	91,585	(2,364,646)	215,434
Customer deposits	275	14,124	245
Accrued expenses and other liabilities	3,832	98,855	3,012
Deferred revenue	(20,626)	(56,705)	10,097
Due to other funds		203,848	(431,920)
Due to other governmental units	(16,211)	199	(32)
Net Cash Provided by Operating Activities	<u>\$1,271,618</u>	<u>\$5,267,119</u>	<u>\$1,848,014</u>
Non Cash Transactions:			
Increase in fair value of investments	\$72,800		

FORM I-3

Sewer Utility Fund	Totals	
	2001	2000
\$737,482	\$6,592,298	\$3,273,144
2,860,099	8,020,579	7,543,162
74,634	1,194,584	107,742
		(46,939)
	971,716	(2,208,985)
3,051	120,938	(525,599)
6,627	(2,547,652)	285,901
2,212	4,766	(1,902)
65,510	27,653	(193,603)
(1,108)	(990)	(2,524)
(22,816)	(2,080,443)	1,978,980
	14,644	3,626
27,537	133,236	78,549
5,600	(61,634)	(18,807)
20,787	(207,285)	26,007
2,199	(13,845)	42,878
<u>\$3,781,814</u>	<u>\$12,168,565</u>	<u>\$10,341,630</u>
\$101,000	\$173,800	\$351,600

CITY OF ROCHESTER, MINNESOTA

ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2001

FINANCIAL SECTION (CONTINUED)

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS

INTERNAL SERVICE FUNDS (Form J)

Internal Service Funds are used to account for the financing of goods or services provided for various departments of the City on a cost-reimbursement basis. The accrual basis of accounting is used. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Equipment Revolving Fund:

The Equipment Revolving Fund was created by Council resolution for the purchase and replacement of equipment. City departments pay rental charges to the Equipment Revolving Fund for equipment used in providing services.

Information Technology Revolving Fund:

This fund was established in 1998 to provide for the purchase and upgrading of computer equipment and base-system software; and maintenance of current computer hardware. User charges are assessed against City departments using the computer equipment.

Self-Insurance Fund:

This fund was established by Council resolution, under the authority of City Charter Chapter XI, to account for the City's self-insurance program which includes group life and health, workers' compensation and deductible property loss.

CITY OF ROCHESTER, MINNESOTA

**INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET**

December 31, 2001

With Comparative Totals for December 31, 2000

	<u>Equipment Revolving Fund</u>	<u>Information Technology Revolving Fund</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$439,346	\$256,593
Investments	4,721,709	2,744,244
Accrued interest receivable	59,400	34,600
Accounts receivable		
Taxes receivable delinquent	123	
Due from other governmental units		
	<hr/>	<hr/>
Total Current Assets	5,220,578	3,035,437
	<hr/>	<hr/>
Equipment:		
Machinery and equipment	15,064,011	876,350
Less: Accumulated depreciation	(6,740,375)	(512,732)
	<hr/>	<hr/>
Total Equipment	8,323,636	363,618
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$13,544,214</u>	<u>\$3,399,055</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts payable	\$176	
Due to other governmental units		\$54
Due to other funds		21,199
Accrued claims		
Deferred revenue		
	<hr/>	<hr/>
Total Current Liabilities	176	21,253
	<hr/>	<hr/>
Long-Term Liabilities:		
Accrued claims		
Total Liabilities	176	21,253
	<hr/>	<hr/>
Fund Equity:		
Contributed capital:		
Municipality	527,834	3,306,471
Capital grants	24,363	
	<hr/>	<hr/>
Total Contributed Capital	552,197	3,306,471
	<hr/>	<hr/>
Retained Earnings:		
Reserved for future claims		
Unreserved	12,991,841	71,331
	<hr/>	<hr/>
Total Retained Earnings	12,991,841	71,331
	<hr/>	<hr/>
Total Fund Equity	13,544,038	3,377,802
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$13,544,214</u>	<u>\$3,399,055</u>

FORM J-1

Self Insurance Fund	Totals	
	2001	2000
\$868,666	\$1,564,605	\$1,897,385
8,468,000	15,933,953	15,320,753
106,500	200,500	248,000
		3,313
	123	124
		247
<u>9,443,166</u>	<u>17,699,181</u>	<u>17,469,822</u>
	15,940,361	15,022,749
	(7,253,107)	(6,504,946)
	<u>8,687,254</u>	<u>8,517,803</u>
<u>\$9,443,166</u>	<u>\$26,386,435</u>	<u>\$25,987,625</u>
\$8,928	\$9,104	\$103,688
	54	1,656
	21,199	
1,495,276	1,495,276	1,236,055
<u>632,376</u>	<u>632,376</u>	<u>689,176</u>
<u>2,136,580</u>	<u>2,158,009</u>	<u>2,030,575</u>
<u>839,000</u>	<u>839,000</u>	<u>712,000</u>
<u>2,975,580</u>	<u>2,997,009</u>	<u>2,742,575</u>
	3,834,305	3,825,646
	<u>24,363</u>	<u>26,874</u>
	<u>3,858,668</u>	<u>3,852,520</u>
6,467,586	6,467,586	6,651,466
	<u>13,063,172</u>	<u>12,741,064</u>
<u>6,467,586</u>	<u>19,530,758</u>	<u>19,392,530</u>
<u>6,467,586</u>	<u>23,389,426</u>	<u>23,245,050</u>
<u>\$9,443,166</u>	<u>\$26,386,435</u>	<u>\$25,987,625</u>

CITY OF ROCHESTER, MINNESOTA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

For the Year Ended December 31, 2001

With Comparative Totals for the Year Ended December 31, 2000

	<u>Equipment Revolving Fund</u>	<u>Information Technology Revolving Fund</u>
Operating Revenues:		
Charges for Services:		
Equipment rental	\$1,372,025	\$103,326
Copy center charges	39,999	
Departmental workers' compensation charges		
Departmental insurance charges		
Departmental flex charges		
Employee insurance charges		
Employee flex benefit contributions		
	<hr/>	<hr/>
Total Operating Revenues	<u>1,412,024</u>	<u>103,326</u>
Operating Expenses:		
Copy center	18,934	
Workers' compensation benefits		
Workers' compensation insurance premiums		
Health insurance claims		
Flex benefits		
Other	215	84,782
Depreciation	<u>1,372,025</u>	<u>161,103</u>
	<hr/>	<hr/>
Total Operating Expenses	<u>1,391,174</u>	<u>245,885</u>
Operating Income (Loss)	<u>20,850</u>	<u>(142,559)</u>
Nonoperating Revenues:		
Interest earnings	278,035	166,098
Net increase in the fair value of investments	45,300	27,200
Gain (loss) on disposal of property	<u>(2,959)</u>	<u>(2,341)</u>
	<hr/>	<hr/>
Total Nonoperating Revenues	<u>320,376</u>	190,957
Net Income (Loss) Before Operating Transfers	341,226	48,398
Operating Transfers Out	<hr/>	<u>(70,026)</u>
Net Income (Loss)	341,226	(21,628)
Add: Depreciation of fixed assets acquired by capital grants	<u>2,510</u>	<hr/>
Increase (Decrease) in Retained Earnings	343,736	(21,628)
Retained Earnings - January 1	<u>12,648,105</u>	<u>92,959</u>
Retained Earnings - December 31	<u><u>\$12,991,841</u></u>	<u><u>\$71,331</u></u>

FORM J-2

Self-Insurance Fund	Totals	
	2001	2000
	\$1,475,351	\$1,317,322
	39,999	42,798
\$53,185	53,185	54,959
5,066,752	5,066,752	4,453,393
19,086	19,086	19,086
829,924	829,924	715,233
484,402	484,402	488,697
6,453,349	7,968,699	7,091,488
	18,934	21,173
353,505	353,505	341,705
23,740	23,740	44,569
5,998,739	5,998,739	4,579,740
491,585	491,585	492,239
361,005	446,002	366,072
	1,533,128	1,388,882
7,228,574	8,865,633	7,234,380
(775,225)	(896,934)	(142,892)
509,645	953,778	942,867
81,700	154,200	358,400
	(5,300)	8,045
591,345	1,102,678	1,309,312
(183,880)	205,744	1,166,420
	(70,026)	(69,582)
(183,880)	135,718	1,096,838
	2,510	2,510
(183,880)	138,228	1,099,348
6,651,466	19,392,530	18,293,182
\$6,467,586	\$19,530,758	\$19,392,530

CITY OF ROCHESTER, MINNESOTA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2001

With Comparative Totals for the Year Ended December 31, 2000

	Equipment Revolving Fund	Information Technology Revolving Fund
	<u> </u>	<u> </u>
Cash Flows From Operating Activities:		
Cash received from other City funds	\$1,412,024	\$103,326
Cash received from employees		
Cash paid to suppliers	<u>(19,289)</u>	<u>(86,384)</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,392,735</u>	<u>16,942</u>
Cash Flows From Noncapital Financing Activities:		
Operating transfers out		<u>(70,026)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities		<u>(70,026)</u>
Cash Flows From Capital and Related Financing Activities:		
Contributed capital		8,659
Proceeds from sale of property	46,451	
Additions to property	<u>(1,619,730)</u>	<u>(109,841)</u>
Net Cash (Used in) Capital and Related Financing Activities	<u>(1,573,279)</u>	<u>(101,182)</u>
Cash Flows From Investing Activities:		
Investment income	290,935	174,198
Increase in investments	<u>(207,881)</u>	<u>(80,139)</u>
Net Cash Provided by Investing Activities	<u>83,054</u>	<u>94,059</u>
Net (Decrease) in Cash and Cash Equivalents	(97,490)	(60,207)
Cash and Cash Equivalents, Beginning of Year	<u>536,836</u>	<u>316,800</u>
Cash and Cash Equivalents, End of Year	<u><u>\$439,346</u></u>	<u><u>\$256,593</u></u>

FORM J-3

Self- Insurance Fund	Totals	
	2001	2000
\$5,139,023	\$6,654,373	\$5,887,558
1,314,326	1,314,326	1,203,930
(6,993,597)	(7,099,270)	(5,661,355)
(540,248)	869,429	1,430,133
	(70,026)	(69,582)
	(70,026)	(69,582)
	8,659	
	46,451	44,728
	(1,729,571)	(1,935,057)
	(1,674,461)	(1,890,329)
536,145	1,001,278	955,067
(170,980)	(459,000)	(701,070)
365,165	542,278	253,997
(175,083)	(332,780)	(275,781)
1,043,749	1,897,385	2,173,166
<u>\$868,666</u>	<u>\$1,564,605</u>	<u>\$1,897,385</u>

Continued

CITY OF ROCHESTER, MINNESOTA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**

For the Year Ended December 31, 2001

With Comparative Totals for the Year Ended December 31, 2000

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

	Equipment Revolving Fund	Information Technology Revolving Fund
Operating Income (Loss)	\$20,850	(\$142,559)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,372,025	161,103
Increase (Decrease) In:		
Accounts payable, operations	(140)	
Due to other governmental units		(1,602)
Accrued claims		
Deferred revenue		
Net Cash Provided by (Used in) Operating Activities	<u>\$1,392,735</u>	<u>\$16,942</u>
Non Cash Transactions:		
Receipt of contributed property		\$8,659
Increase in fair value of investments	\$45,300	27,200

FORM J-3

Self- Insurance Fund	Totals	
	2001	2000
(\$775,225)	(\$896,934)	(\$142,892)
	1,533,128	1,388,882
(94,444)	(94,584)	17,830
	(1,602)	1,441
386,221	386,221	195,757
(56,800)	(56,800)	(30,885)
<u>(\$540,248)</u>	<u>\$869,429</u>	<u>\$1,430,133</u>
	\$8,659	\$44,449
\$81,700	154,200	358,400

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FIDUCIARY FUND TYPES

TRUST FUND

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION (CONTINUED)

**COMBINING AND INDIVIDUAL FUND
AND ACCOUNT GROUP STATEMENTS**

TRUST FUND (Form K)

Trust Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations or other governments. The City's Trust Fund is classified as an expendable Trust Fund and is accounted for in essentially the same manner as governmental funds.

The F. E. Williams Estate, Trust Fund:

Was established to account for the gift of property made by Mr. Frank E. Williams to be used "for the acquiring of or the support of, or the maintenance of a playground or playgrounds, for children under 15 years of age."

CITY OF ROCHESTER, MINNESOTA

EXPENDABLE TRUST FUND
F.E. WILLIAMS TRUST FUND
COMPARATIVE BALANCE SHEETS
December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and cash equivalents	\$22,085	\$12,113
Investments	251,737	234,649
Accrued interest receivable	<u>3,000</u>	<u>3,800</u>
TOTAL ASSETS	<u>\$276,822</u>	<u>\$250,562</u>
FUND BALANCE		
Unreserved, undesignated	<u>\$276,822</u>	<u>\$250,562</u>

CITY OF ROCHESTER, MINNESOTA

EXPENDABLE TRUST FUND
F.E. WILLIAMS TRUST FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Revenues:		
Interest earnings	\$14,622	\$14,542
Net increase in the fair value of investments	2,400	5,800
Rental of real property	9,653	9,321
Private sources		<u>3,744</u>
Total Revenues	<u>26,675</u>	<u>33,407</u>
Expenditures:		
Contractual services	255	7,470
Materials and supplies	160	703
Other charges		<u>5,000</u>
Total Expenditures	<u>415</u>	<u>13,173</u>
Other Financing Uses:		
Operating transfers out:		
Capital project funds		<u>50,992</u>
Total Expenditures and Other Financing Uses	<u>415</u>	<u>64,165</u>
Excess (Deficit) Financing Sources over Uses	26,260	(30,758)
Fund Balance - January 1	<u>250,562</u>	<u>281,320</u>
Fund Balance - December 31	<u><u>\$276,822</u></u>	<u><u>\$250,562</u></u>

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION (CONTINUED)

**COMBINING AND INDIVIDUAL FUND
AND ACCOUNT GROUP STATEMENTS**

GENERAL FIXED ASSETS ACCOUNT GROUP (Form L)

The General Fixed Assets Account Group:

Is a "self-balancing account group." The General Fixed Assets of the City are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of Utility, other Enterprise Funds, and the Internal Service Funds.

CITY OF ROCHESTER, MINNESOTA

COMPARATIVE SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
GENERAL FIXED ASSETS:		
Land and buildings	\$156,183,042	\$129,411,500
Improvements other than buildings	191,991,486	184,377,011
Equipment and furniture	26,482,088	24,193,018
Construction work in process	<u>39,491,705</u>	<u>42,122,425</u>
Total General Fixed Assets	<u>\$414,148,321</u>	<u>\$380,103,954</u>
INVESTMENTS IN GENERAL FIXED ASSETS BY SOURCE:		
General revenues	\$145,575,743	\$137,782,453
General obligation bonds	7,608,000	7,608,000
Revenue bonds	1,625,000	1,625,000
Tax increment bonds	17,709,198	17,387,898
Improvement bonds	48,727,572	48,727,572
G.O. sales tax bonds	28,900,000	28,900,000
Special revenue funds	2,464,488	2,464,488
Federal grants	37,503,473	33,625,273
State grants	45,236,254	40,529,924
Olmsted County	2,166,392	1,977,094
Independent School District #535	305,000	305,000
Private sources	12,768,047	11,840,876
Local sales tax	<u>63,559,154</u>	<u>47,330,376</u>
Total Investment in General Fixed Assets	<u>\$414,148,321</u>	<u>\$380,103,954</u>

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY

December 31, 2001

Function and Activity	Land and Buildings	Improvements Other Than Buildings	Furniture and Equipment	Construction Work In Process	Total
General Government:					
Control:					
Legislative			\$11,389		\$11,389
Executive	\$3,149		304,897		308,046
Total Control	3,149		316,286		319,435
Staff Agencies:					
CDBG Administration			29,163		29,163
City Clerk		\$3,717	27,437		31,154
Finance			36,866		36,866
Information Systems			984,167		984,167
Legal			30,290		30,290
Personnel			30,195		30,195
City Hall Maintenance			145,961		145,961
Art Center/Civic Theatre		4,105	52,134		56,239
Music			33,267		33,267
Other General Government	13,877,932	121,606	35,674		14,035,212
Total Staff Agencies	13,877,932	129,428	1,405,154		15,412,514
Total General Government	13,881,081	129,428	1,721,440		15,731,949
Public Safety:					
Police	3,378,496	9,039	2,767,319		6,154,854
Fire	5,975,320	76,856	527,125		6,579,301
Building Safety	157,086		65,037		222,123
Animal Control	855,297	220	13,300		868,817
Emergency Management		453,928			453,928
Total Public Safety	10,366,199	540,043	3,372,781		14,279,023
Public Works:					
Engineering	2,493,483	1,274,572	950,012		4,718,067
Mass Transit			5,352,139		5,352,139
Street and Alley	6,215,680	66,850,197	278,194		73,344,071
Other Permanent Improvements	20,834,242	88,384,486	190,940		109,409,668
Total Public Works	29,543,405	156,509,255	6,771,285		192,823,945
Library	11,310,220	35,139	7,345,703		18,691,062
Mayo Civic Center	40,911,521	253,324	1,635,304		42,800,149
Park and Recreation	22,641,874	10,277,268	2,764,157		35,683,299
Airport	20,107,050	23,638,921	2,871,418		46,617,389
Tax Increment	7,421,692	608,108			8,029,800
Total General Fixed Assets Before Work in Process	156,183,042	191,991,486	26,482,088		374,656,616
Construction Work in Process				\$39,491,705	39,491,705
Total General Fixed Assets	\$156,183,042	\$191,991,486	\$26,482,088	\$39,491,705	\$414,148,321

CITY OF ROCHESTER, MINNESOTA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY**

For the Year Ended December 31, 2001

Function and Activity:	General Fixed Assets 1/1/01	Additions	Deductions	General Fixed Assets 12/31/01
General Government:				
Control:				
Legislative	\$12,409		\$1,020	\$11,389
Executive	290,765	\$22,263	4,982	308,046
Total Control	303,174	22,263	6,002	319,435
Staff Agencies:				
CDBG Administration	26,394	2,769		29,163
City Clerk	31,154			31,154
Finance	36,180	6,770	6,084	36,866
Information Systems	755,656	246,482	17,971	984,167
Legal	28,422	1,868		30,290
Personnel	14,111	16,084		30,195
City Hall Maintenance	145,961			145,961
Art Center/Civic Theatre	43,515	12,724		56,239
Music	35,767		2,500	33,267
Other General Government	14,015,535	19,677		14,035,212
Total Staff Agencies	15,132,695	306,374	26,555	15,412,514
Total General Government	15,435,869	328,637	32,557	15,731,949
Public Safety:				
Police	6,081,424	73,430		6,154,854
Fire	6,556,258	23,043		6,579,301
Building Safety	222,123			222,123
Animal Control	867,601	1,216		868,817
Emergency Management	425,163	28,765		453,928
Total Public Safety	14,152,569	126,454		14,279,023
Public Works:				
Engineering	3,621,962	1,108,086	11,981	4,718,067
Mass Transit	4,913,159	446,516		5,359,675
Street and Alley	69,010,962	4,325,573		73,336,535
Other Permanent Improvements	107,214,918	2,194,750		109,409,668
Total Public Works	184,761,001	8,074,925	11,981	192,823,945

CITY OF ROCHESTER, MINNESOTA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)**

For the Year Ended December 31, 2001

Function and Activity (continued):	General Fixed Assets 1/1/01	Additions	Deductions	General Fixed Assets 12/31/01
Library	\$18,354,206	\$644,263	\$307,407	\$18,691,062
Mayo Civic Center	27,081,267	15,718,882		42,800,149
Park and Recreation	33,847,121	1,836,178		35,683,299
Airport	36,693,715	9,923,674		46,617,389
Tax Increment	<u>7,655,781</u>	<u>374,019</u>		<u>8,029,800</u>
Total General Fixed Assets Before Work in Process	337,981,529	37,027,032	351,945	374,656,616
Construction Work in Process	<u>42,122,425</u>	<u>16,205,992</u>	<u>18,836,712</u>	<u>39,491,705</u>
Total General Fixed Assets	<u><u>\$380,103,954</u></u>	<u><u>\$53,233,024</u></u>	<u><u>\$19,188,657</u></u>	<u><u>\$414,148,321</u></u>

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION (CONTINUED)

**COMBINING AND INDIVIDUAL FUND
AND ACCOUNT GROUP STATEMENTS**

**GENERAL LONG-TERM DEBT ACCOUNT GROUP
(Form M)**

The General Long-Term Debt Account Group:

Is a "self-balancing account group" established to account for long-term liabilities expected to be financed by governmental fund types.

CITY OF ROCHESTER, MINNESOTA

COMPARATIVE SCHEDULE OF GENERAL LONG-TERM DEBT

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
AMOUNT AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF GENERAL LONG-TERM DEBT:		
Amount Available in Debt Service Funds	\$3,056	\$3,705
Resources to be Provided in Future Years:		
From Municipal Recreation Fund	700,750	690,727
From Library Fund	314,263	279,767
From General Fund	4,196,731	3,969,828
From Tax Increments	7,443,930	8,418,281
From Sales Tax Receipts	28,381,067	27,622,394
From Airport Hangar Rentals	<u>467,287</u>	<u>293,243</u>
 Total Available and to be Provided for Payment of General Long-term Debt	 <u><u>\$41,507,084</u></u>	 <u><u>\$41,277,945</u></u>
 GENERAL LONG-TERM DEBT PAYABLE:		
General Obligation Tax Increment Bonds	\$7,444,380	\$8,419,380
General Obligation Sales Tax Revenue Bonds	28,383,673	27,625,000
Minnesota Department of Transportation Hangar Construction Notes	467,287	293,243
Compensated absences:		
Accrued vacation benefits	3,092,615	2,905,157
Accrued sick leave benefits	<u>2,119,129</u>	<u>2,035,165</u>
 Total General Long-Term Debt Payable	 <u><u>\$41,507,084</u></u>	 <u><u>\$41,277,945</u></u>

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

FINANCIAL SECTION (CONTINUED)

**COMBINING AND INDIVIDUAL FUND
AND ACCOUNT GROUP STATEMENTS**

SUPPLEMENTARY FINANCIAL INFORMATION

The Supplemental Financial Information provides support to certain accounts contained in the individual fund level financial statements. The accompanying schedules are presented for supplementary analysis purposes only.

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS

December 31, 2001

			Amount	%
Cash and Deposits:				
First Bank - Rochester, Minnesota			\$848,672	0.54
WellsFargo Bank - Rochester, Minnesota			6,925,607	4.39
Park National Bank, St. Louis Park, Minnesota			71,317	0.05
Change Funds			9,893	0.01
	Yield	Maturity		
Cash Equivalents:				
Commercial Paper	6.56-6.73	2002	13,468,750	8.53
Guaranteed Investment Contracts	5.60	2002	13,774,577	8.72
Short Term Government Trust	6.09	2002	1,215,734	0.77
US Treasury Notes	4.625-6.375	2002-2006	130,805	0.08
Sub-total Cash, Deposits and Cash Equivalents			36,445,355	23.09
Investments:				
Commercial Paper	6.62-6.87	2002	1,498,260	0.95
Municipal Bond	5.50	2024	13,128,053	8.32
U.S. Government and Agency Securities:				
Federal Farm Credit Bank	4-6.97	2002-2004	3,576,875	2.27
Financing Corporation	4.77	2003	1,026,355	0.65
Federal Home Loan Bank	2.51-7.07	2002-2006	52,559,501	33.28
Federal Home Loan Mortgage Corporation	3.13-5.75	2003-2006	14,292,542	9.05
Federal National Mortgage Association	3.55-6.74	2002-2006	31,376,775	19.87
Student Loan Marketing Association	2.8-6.27	2003	3,509,710	2.22
Tennessee Valley Authority	2.6	2002	467,500	0.30
Sub-total Investments			121,435,571	76.91
TOTAL			\$157,880,926	100.00

ALLOCATION OF CASH, CASH EQUIVALENTS AND INVESTMENTS - ALL FUNDS

Fund	Cash and Cash Equivalents	Restricted Assets	Investments	Total
General Fund	\$1,220,728	\$23,473	\$14,040,199	\$15,284,400
Special Revenue Funds	479,344	95,340	6,302,230	6,876,914
Debt Service Funds	3,705			3,705
Capital Project Funds	4,686,088		66,875,535	71,561,623
Enterprise Funds	13,592,626	14,757,361	18,031,917	46,381,904
Internal Service Funds	1,564,605		15,933,953	17,498,558
Trust and Agency Funds	22,085		251,737	273,822
TOTAL	\$21,569,181	\$14,876,174	\$121,435,571	\$157,880,926

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF CASH AND SECURITY FOR DEPOSIT

December 31, 2001

	Wells Fargo Bank	US Bank	Others
Security for Deposits:			
Federal National Mortgage Association	\$15,029,373	\$1,794,831	
Federal Home Loan Mortgage Corp		98,488	
TOTAL PAR VALUE OF SECURITIES	<u>\$15,029,373</u>	<u>\$1,893,319</u>	
Market Value of Securities	\$14,652,075	\$1,914,057	
90% of security market value applicable to pledge requirement	\$13,186,868	\$1,722,651	
F.D.I.C.	100,000	100,000	\$100,000
TOTAL SECURITY	<u>\$13,286,868</u>	<u>\$1,822,651</u>	<u>\$100,000</u>
Deposits:			
Book Balance	\$6,925,607	\$848,672	\$71,317
TOTAL APPLICABLE TO SECURITY	<u>\$6,925,607</u>	<u>\$848,672</u>	<u>\$71,317</u>

Pursuant to Minnesota law, total deposits cannot exceed F.D.I.C. or F.S.L.I.C. insurance plus ninety percent of the market value of securities pledged as collateral by the bank.

The Federal Deposit Insurance Corporation provides additional security of \$100,000 at each depository bank of demand deposits.

SCHEDULE 3

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF DELINQUENT TAXES RECEIVABLE - ALL FUNDS

December 31, 2001

	<u>Total</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Enter- prise Funds</u>	<u>Internal Service Funds</u>
Delinquent Taxes by Year:						
Fiscal Year:						
1990	\$5,690	\$3,186	\$1,863	\$543	\$53	\$45
1991	5,577	3,162	1,752	553	50	60
1992	5,364	3,125	1,654	517	46	22
1993	2,195	1,293	693	189	20	
1994	2,832	1,707	896	202	27	
1995	10,259	2,493	1,239	6,490	37	
1996	4,298	2,700	1,310	249	39	
1997	3,811	2,423	1,118	236	34	
1998	5,802	3,593	1,766	389	54	
1999	13,416	8,061	4,161	1,082	112	
2000	27,078	9,246	9,224	8,370	238	
2001	<u>117,644</u>	<u>62,864</u>	<u>37,029</u>	<u>16,657</u>	<u>1,094</u>	<u> </u>
Total Delinquent Taxes on Records of the Olmsted County Auditor	203,966	103,853	62,705	35,477	1,804	127
Less: Estimated Uncollectible Delinquent Taxes	<u>(6,122)</u>	<u>(3,116)</u>	<u>(1,881)</u>	<u>(1,067)</u>	<u>(54)</u>	<u>(4)</u>
Net Delinquent Taxes Receivable	<u>\$197,844</u>	<u>\$100,737</u>	<u>\$60,824</u>	<u>\$34,410</u>	<u>\$1,750</u>	<u>\$123</u>

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF CHANGES IN FIXED ASSETS AND DEPRECIATION
EQUIPMENT REVOLVING FUND

For the Year Ended December 31, 2001

	ASSETS				ALLOWANCE FOR DEPRECIATION						
	Balance 1/1/01	Additions	Retirements	Transfers	Balance 12/31/01	Balance 1/1/01	Depreciation	Retirements	Transfers	Balance 12/31/01	Remaining Book Value
Trucks, power operated equip- ment and autos:											
General Government:											
City Hall Maintenance	\$42,051	\$16,815	\$4,099	(\$2,120)	\$52,647	\$16,008	\$8,542	\$3,078		\$21,472	\$31,175
Copy Center	46,932				46,932	4,864	6,360			11,224	35,708
City Float	4,783		4,783								
Total General Government	93,766	16,815	8,882	(2,120)	99,579	20,872	14,902	3,078		32,696	66,883
Public Safety:											
Police	670,688	32,511	199,550	334,374	838,023	429,570	171,015	199,550	(\$7,375)	393,660	444,363
Fire	3,759,333	12,805	28,748	12,617	3,756,007	699,420	221,189	28,048		892,561	2,863,446
Fire Hazmat Response	35,544				35,544	29,622	5,922			35,544	
Building Safety	80,513	80,890	8,050	(5,125)	148,228	30,512	18,800	7,578		41,734	106,494
Animal Control	31,485				31,485	14,324	5,376			19,700	11,785
Total Public Safety	4,577,563	126,206	236,348	341,866	4,809,287	1,203,448	422,302	235,176	(7,375)	1,383,199	3,426,088
Public Works:											
Engineering	291,228	51,296	9,151	3,240	336,613	149,813	32,262	9,151		172,924	163,689
Traffic Engineer	260,065	54,773	58,910	(1,145)	254,783	149,357	23,278	48,209		124,426	130,357
Street and Alley	4,301,082	340,605	41,738	255	4,600,204	2,022,001	363,098	41,738		2,343,361	2,256,843
Total Public Works	4,852,375	446,674	109,799	2,350	5,191,600	2,321,171	418,638	99,098		2,640,711	2,550,889
Parking	81,260	35,636	23,646	(2,190)	91,060	50,671	7,498	22,315		35,854	55,206
Library	180,815				180,815	38,648	17,532			56,180	124,635
Municipal Recreation System:											
Administration	15,716				15,716	1,308	2,616			3,924	11,792
Recreation	6,437				6,437	2,186	948			3,134	3,303
Golf	775,857	160,363	84,245		851,975	429,407	105,937	83,000		452,344	399,631
Volleyball Center	10,347				10,347	1,364	1,488			2,852	7,495
Graham Arena	100,274				100,274	56,901	7,976			64,877	35,397
Park	1,594,505	212,409	97,643		1,709,271	888,225	204,861	97,262		995,824	713,447
Recreation Center	48,160				48,160	20,520	4,675			25,195	22,965
Flood Control Maintenance	133,815	19,925			153,740	73,919	25,706			99,625	54,115
Mayo Civic Center	69,036	22,055			91,091	19,324	9,090			28,414	62,677
Total Municipal Recreation System	2,754,147	414,752	181,888		2,987,011	1,493,154	363,297	180,262		1,676,189	1,310,822
Sewer Utility Fund:											
Sewer Collection System	604,365	11,309	12,977	(557)	602,140	322,119	55,654	12,420		365,353	236,787
Water Reclamation Plant	945,043	311,201	168,168	(2,500)	1,085,576	646,160	72,201	168,168		550,193	535,383
Total Sewer Utility	1,549,408	322,510	181,145	(3,057)	1,687,716	968,279	127,855	180,588		915,546	772,170
Equipment Not In Service	128,937	276,856	52,001	(336,849)	16,943			7,375	7,375		16,943
Total Machinery and Equipment	\$14,218,271	\$1,639,449	\$793,709	\$ -	\$15,064,011	\$6,096,243	\$1,372,024	\$727,892	\$ -	\$6,740,375	\$8,323,636

SCHEDULE 5

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF BONDS PAYABLE

December 31, 2001

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHORIZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation Tax Increment Bonds:</u>								
Tax Increment Bonds Series 1985 - str 12/1/96	6.45, 6.5% (6/1; 12/1)	12/1/86	12/1/05	\$1,050,000 (2002) 1,150,000 (2003) 1,225,000 (2004) 1,350,000 (2005)	\$13,250,000	\$13,250,000	\$8,475,000	\$4,775,000
Taxable Tax Increment Bonds District 7, Series 1997	5.5% (1) (2/1; 8/1)	3/4/97	2/1/24		2,768,500	2,669,380		2,669,380
Total General Obligation Tax Increment Bonds					16,018,500	15,919,380	8,475,000	7,444,380
<u>General Obligation Sales Tax Revenue Bonds:</u>								
Temporary General Obligation Sales Tax Revenue Bonds, Series 2000A	4.4% (6/1; 12/1)	7/15/01	6/1/03	17,925,000 (2003)	17,925,000	17,925,000		17,925,000
General Obligation Taxable Sales Tax Revenue Bonds, Series 2000	6.35% (2) (2/1)	7/6/01	2/1/10		10,458,673	10,458,673		10,458,673
Total General Obligation Sales Tax Revenue Bonds					28,383,673	28,383,673		28,383,673
<u>General Obligation Revenue Bonds:</u>								
Wastewater Treatment Refunding Bonds 2001A dated September 15, 2001- str 12/1/07	3.5, 3.7, 3.8 3.9,4.0% (6/1; 12/1)	9/15/01	12/1/11	655,000 (2002) 730,000 (2003) 770,000 (2004) 785,000 (2005) 820,000 (2006) 830,000 (2007) 865,000 (2008) 900,000 (2009) 930,000 (2010) 990,000 (2011)	8,275,000	8,275,000		8,275,000
Total General Obligation Revenue Bonds					8,275,000	8,275,000		8,275,000

SCHEDULE 5

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF BONDS PAYABLE (CONTINUED)

December 31, 2001

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHORIZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds:</u>								
Electric Utility Revenue Bonds, Series 2000	4.75, 4.85, 5.0, 5.1, 5.125, 5.20 5.25% (6/1; 12/1)	12/1/00	12/1/30	600,000 (2002) 630,000 (2003) 660,000 (2004) 690,000 (2005) 725,000 (2006) 755,000 (2007) 795,000 (2008) 830,000 (2009) 865,000 (2010) 905,000 (2011) 950,000 (2012) 995,000 (2013) 1,045,000 (2014) 1,095,000 (2015) 1,150,000 (2016) 1,210,000 (2017) 1,270,000 (2018) 1,335,000 (2019) 1,405,000 (2020) 1,475,000 (2021) 1,555,000 (2022) 1,635,000 (2023) 1,725,000 (2024) 1,815,000 (2025) 1,910,000 (2026) 2,010,000 (2027) 2,115,000 (2028) 2,225,000 (2029) 2,340,000 (2030)	\$37,290,000	\$37,290,000	575,000	\$36,715,000
Total Revenue Bonds					<u>37,290,000</u>	<u>37,290,000</u>	<u>575,000</u>	<u>36,715,000</u>
TOTAL BONDS PAYABLE					<u><u>\$89,967,173</u></u>	<u><u>\$89,868,053</u></u>	<u><u>\$9,050,000</u></u>	<u><u>\$80,818,053</u></u>

(1) The Taxable Tax Increment Bonds are structured without fixed principal maturities. The payments are equal to the amount of "Available Tax Increments" received by the City within the six month period preceding each payment date. All payments are applied first to pay accrued and unpaid interest and next to reduction of principal.

(2) The Sales Tax Taxable Bonds are structured without fixed principal maturities. The payments are equal to the amount of sales and use tax and such other revenues pledged. All payments are applied first to pay accrued and unpaid interest and next to reduction of principal.

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS - ALL FUNDS

December 31, 2001

Year	Total (2)		General Obligation (1)						Revenue Bonds	
			Tax Increment Bonds (3)		Sales Tax Revenue Bonds (4)		Wastewater Treatment Plant Revenue Refunding Bonds		Electric Utility Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$2,305,000	\$3,334,422	\$1,050,000	\$309,850		\$788,700	\$655,000	\$366,634	\$600,000	\$1,869,238
2003	20,435,000	2,757,013	1,150,000	242,125	\$17,925,000	394,350	730,000	279,800	630,000	1,840,738
2004	2,655,000	2,232,437	1,225,000	167,375			770,000	254,250	660,000	1,810,812
2005	2,825,000	2,094,512	1,350,000	87,750			785,000	227,300	690,000	1,779,462
2006	1,545,000	1,946,513					820,000	199,825	725,000	1,746,688
2007	1,585,000	1,883,375					830,000	171,125	755,000	1,712,250
2008	1,660,000	1,818,463					865,000	142,075	795,000	1,676,388
2009	1,730,000	1,748,695					900,000	110,070	830,000	1,638,625
2010	1,795,000	1,675,070					930,000	75,870	865,000	1,599,200
2011	1,895,000	1,597,712					990,000	39,600	905,000	1,558,112
2012	950,000	1,515,125							950,000	1,515,125
2013	995,000	1,470,000							995,000	1,470,000
2014	1,045,000	1,421,742							1,045,000	1,421,742
2015	1,095,000	1,369,492							1,095,000	1,369,492
2016	1,150,000	1,314,742							1,150,000	1,314,742
2017	1,210,000	1,257,243							1,210,000	1,257,243
2018	1,270,000	1,195,533							1,270,000	1,195,533
2019	1,335,000	1,130,445							1,335,000	1,130,445
2020	1,405,000	1,061,025							1,405,000	1,061,025
2021	1,475,000	987,262							1,475,000	987,262
Thereafter	17,330,000	4,858,088							17,330,000	4,858,088
	<u>\$67,690,000</u>	<u>\$38,668,909</u>	<u>\$4,775,000</u>	<u>\$807,100</u>	<u>\$17,925,000</u>	<u>\$1,183,050</u>	<u>\$8,275,000</u>	<u>\$1,866,549</u>	<u>\$36,715,000</u>	<u>\$34,812,210</u>

(1) The General Obligation GO Unlimited Tax Levy Bonds are initially payable from sources other than general property tax: Tax Increment Bonds are payable from tax increment revenues; Sales Tax Bonds are payable from sales tax revenue and Wastewater Treatment Bonds are payable from sewer service charges.

(2) Does not include notes payable of \$867,287

(3) Does not include the General Obligation Taxable Tax Increment Bonds 1997, District No. 7 which are structured without fixed principal maturities.

(4) Does not include the General Obligation Taxable Sales Tax Revenue Bonds 2000 which are structured without fixed principal maturities.

CITY OF ROCHESTER, MINNESOTA

SCHEDULE OF PERSONNEL EXPENDITURES-ALL FUNDS

For The Year Ended December 31, 2001

	Number of Employees		Salaries and Wages	Employer Contributions						Total
	Full Time	All Other	Amount	Pension	Social Security	Group Insurance	Workers' Compensation	Unemployment Compensation	Other (1) Contributions	Wages and Contributions
<u>Government and Fiduciary Fund Types</u>										
General Government	55	4	\$2,804,364	\$140,837	\$204,234	\$340,925	\$503		\$8,675	\$3,499,538
Police	134	2	7,760,440	680,745	123,864	898,011	10,957	\$2,598	21,015	9,497,630
Public Safety Communications	25		1,106,350	56,689	83,422	127,271	192		3,825	1,377,749
Fire	99		5,711,449	516,252	65,180	605,341	12,320		3,488	6,914,030
Fire Hazmat Response Team			15,200	1,413	48					16,661
Building Safety	24		1,294,612	65,828	97,566	176,919	976		906	1,636,807
Animal Control	3		116,689	5,830	8,820	17,372	413			149,124
Public Works	84	2	4,116,244	215,016	302,074	461,327	10,996		7,592	5,113,249
Music	4		193,974	8,982	14,596	16,444	86	78	617	234,777
Library	52	63	2,451,654	120,165	184,820	246,807	312		8,322	3,012,080
Park and Recreation	67	258	4,341,316	189,420	324,807	429,221	9,710	5,674	3,058	5,303,206
TOTAL	547	329	\$29,912,292	\$2,001,177	\$1,409,431	\$3,319,638	\$46,465	\$8,350	\$57,498	\$36,754,851
<u>Proprietary Fund Types</u>										
Electric Utility	162	8	\$9,679,537	\$502,957	\$699,811	\$989,395	\$54,670	\$4,234	\$4,858	\$11,935,462
Water Utility	18		1,028,201	52,213	76,961	104,860	798		454	1,263,487
Sewer Utility	35		1,647,014	87,162	118,397	229,385	6,255		1,469	2,089,682
Parking	4		163,296	8,369	12,456	21,970	466		84	206,641
TOTAL	219	8	\$12,518,048	\$650,701	\$907,625	\$1,345,610	\$62,189	\$4,234	\$6,865	\$15,495,272

(1) Other contributions include transit and parking subsidies and administration fees for the City's Flexible Benefits Plan.

CITY OF ROCHESTER, MINNESOTA

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2001**

STATISTICAL SECTION

CITY OF ROCHESTER, MINNESOTA

ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2001

STATISTICAL SECTION

STATISTICAL DATA TABLES

The Statistical Section presents comparative data for a ten-year period ending December 31, 2001. The data includes information on statutory debt limitations and on overlapping debt. The statistical tables reflect social and economic data, financial trends and the fiscal capacity of the City. This section is intended to serve investors in City bonds and others interested in financial statistics of municipal government.

TABLE I

CITY OF ROCHESTER, MINNESOTA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

Fiscal Year	General Government (2)	Public Safety (3)	Public Works (4)	Culture/ Recreation	Library	Total
1992	\$3,394,847	\$15,112,603	\$6,676,855	\$6,254,970	\$2,311,109	\$33,750,384
1993	3,554,417	15,989,006	7,256,025	6,639,788	2,514,749	35,953,985
1994	3,735,817	17,185,942	7,391,651	6,811,401	2,687,427	37,812,238
1995	3,888,037	18,868,607	7,632,193	7,038,638	2,977,523	40,404,998
1996	4,151,528	18,739,707	8,168,338	7,175,824	3,246,992	41,482,389
1997	4,117,143	18,547,963	8,170,450	7,106,875	3,391,262	41,333,693
1998	4,461,136	18,939,105	9,674,681	7,665,990	3,537,181	44,278,093
1999	5,018,272	19,469,713	10,065,589	8,181,682	3,806,174	46,541,430
2000	5,442,316	20,479,801	11,464,730	8,837,149	3,946,256	50,170,252
2001	5,627,936	22,325,851	12,489,479	9,329,828	4,293,090	54,066,184

(1) Includes General and Special Revenue Funds

(2) Includes Economic Development/Tourism, Community Reinvestment and Unallocated

(3) Includes Law Enforcement Block Grant

(4) Includes Airport

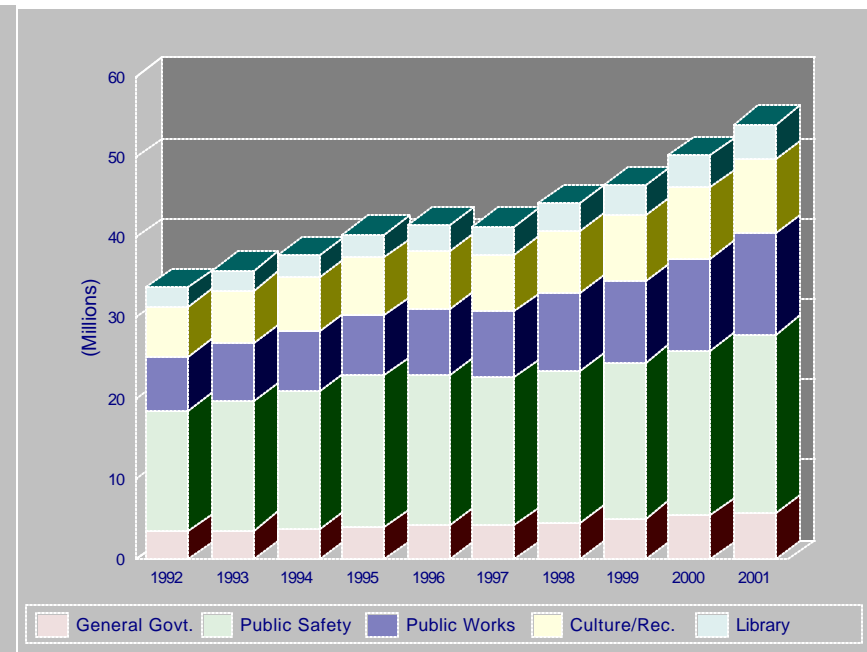
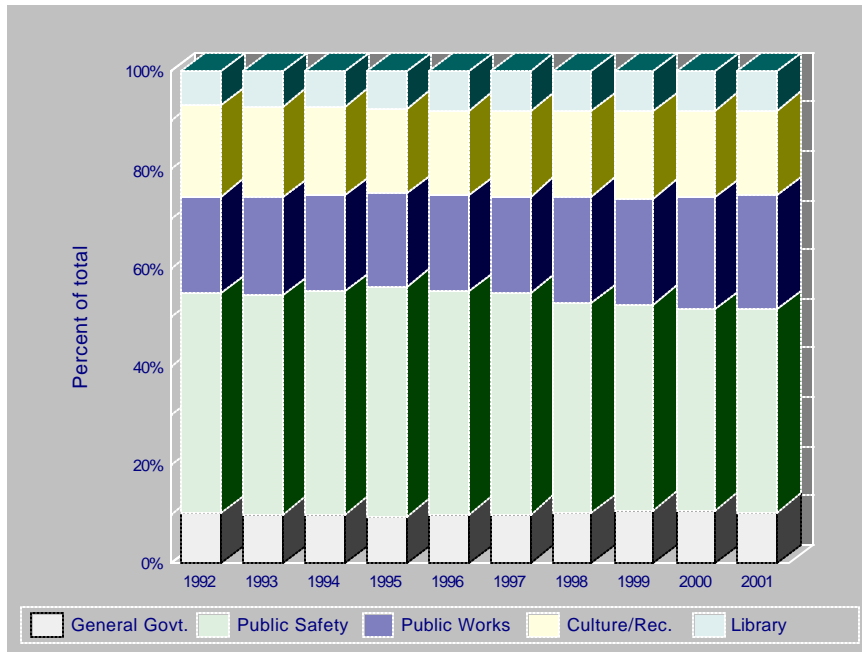


TABLE II

CITY OF ROCHESTER, MINNESOTA

GENERAL AND SPECIAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Fiscal Year	Taxes (2)	Licenses And Permits	Inter-Governmental Revenue	Charges For Services	Fines And Forfeits	Miscellaneous Revenues	Total
1992	\$11,689,155	\$1,764,998	\$12,235,099	\$3,499,398	\$229,171	\$5,702,107	\$35,119,928
1993	11,941,746	1,627,969	12,479,672	3,989,452	232,181	5,964,126	36,235,146
1994	12,784,019	1,631,833	12,936,033	4,416,184	231,443	6,246,901	38,246,413
1995	14,273,966	1,433,433	13,150,514	4,335,782	205,393	6,223,004	39,622,092
1996	15,623,492	1,378,228	13,703,978	4,735,638	227,696	6,422,000	42,091,032
1997	16,144,807	1,829,172	14,395,128	5,207,055	298,180	6,282,063	44,156,405
1998	16,666,551	2,089,061	14,820,225	6,932,927	354,644	7,372,249	48,235,657
1999	16,911,642	2,588,584	14,710,492	7,485,728	423,285	7,470,781	49,590,512
2000	15,302,309	2,805,189	14,975,186	7,950,457	444,225	13,241,223	54,718,589
2001	20,176,651	2,779,127	15,171,666	8,182,950	476,688	9,235,217	56,022,299

(1) Includes General and Special Revenue Funds

(2) Includes Hotel-Motel Tax and Franchise Taxes

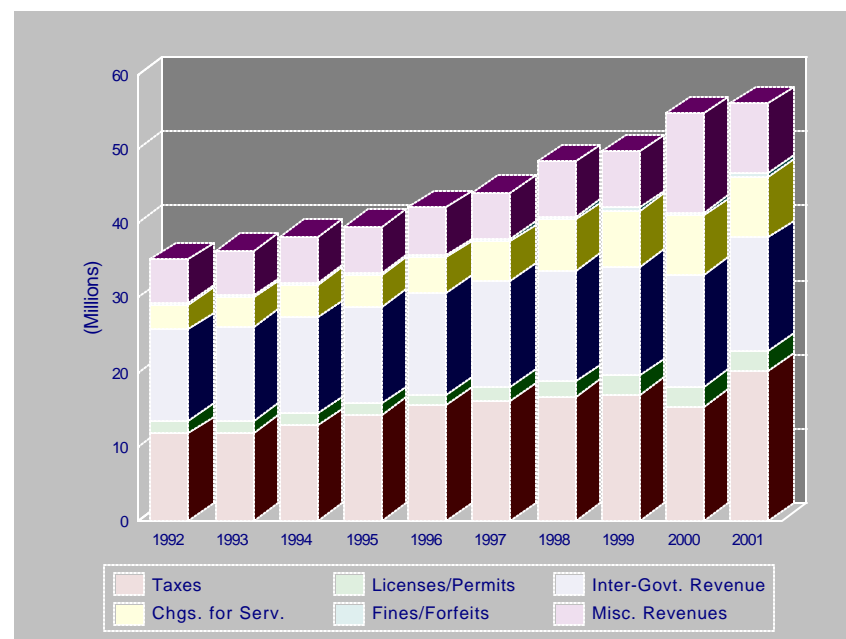
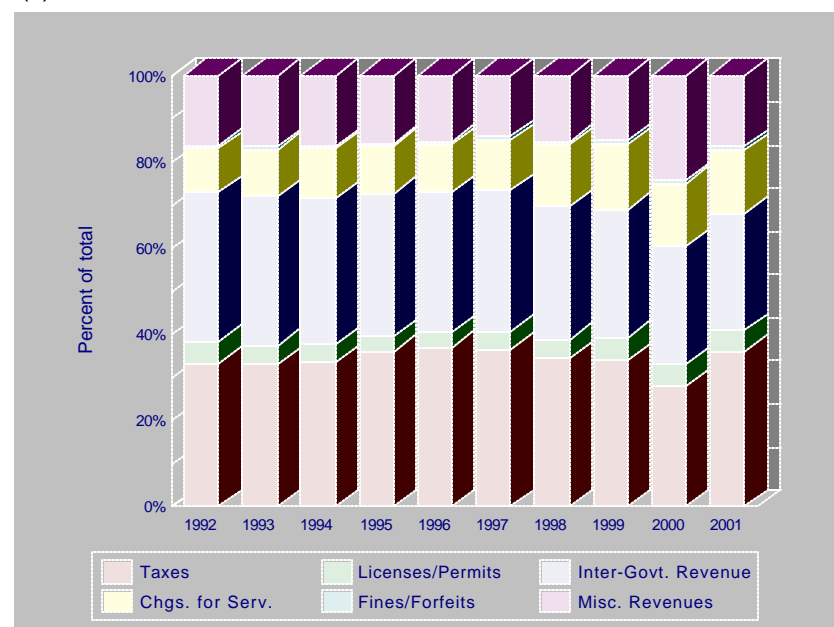


TABLE III

CITY OF ROCHESTER, MINNESOTA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (1)	Current Collections		Delinquent Collections	Total Collections	% Of Total Tax Levy	Total Delinquent Taxes (2)	Delinquent Taxes As A % Of Total Tax Levy
		Amount (1)	% Of Total Tax Levy					
1992	\$11,521,358 3,957,162	\$11,359,654 3,957,162	98.96%	\$170,158	\$15,486,974	100.06%	\$5,364	0.04%
1993	11,889,586 4,292,741	11,717,922 4,292,741	98.94	105,904	16,116,567	99.59	2,195	0.01
1994	12,580,361 4,435,619	12,435,098 4,435,619	99.15	125,331	16,996,048	99.88	2,832	0.02
1995	13,896,049 4,440,686	13,744,947 4,440,686	99.18	141,648	18,327,281	99.95	4,033	0.02
1996	14,746,072 4,282,077	14,589,043 4,282,077	99.18	186,082	19,057,202	100.15	4,298	0.02
1997	15,147,909 4,370,077	15,016,545 4,370,077	99.33	156,725	19,543,347	100.13	3,811	0.02
1998	15,678,086 4,370,774	15,543,788 4,370,774	99.33	105,142	20,019,704	99.86	5,802	0.03
1999	16,087,180 4,368,552	15,997,336 4,368,552	99.56	84,182	20,450,070	99.97	13,416	0.07
2000	17,600,000 4,369,974	17,374,147 4,369,974	98.97	81,932	21,826,053	99.35	27,078	0.12
2001	18,970,957 4,370,953	18,847,216 4,370,953	99.47	201,754	23,419,923	100.33	110,003	0.47

(1) Second amount is the HACA and Equalization Aid adjustment.

(2) On records of Olmsted County Auditor before allowance for uncollectible and excludes Tax Increment Districts.

TABLE IV

CITY OF ROCHESTER, MINNESOTA

TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Total		% of Tax Capacity to Total Estimated Market Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity (1)	Estimated Market Value (1)	
1993	\$52,207,666	\$2,356,494,900	\$806,043	\$17,299,080	\$53,013,709	\$2,373,793,980	2.23%
					50,078,923	2,304,227,762	2.17
1994	54,138,560	2,530,899,200	780,013	17,071,770	54,918,573	2,547,970,970	2.16
					51,994,612	2,476,516,763	2.10
1995	56,490,505	2,628,052,000	797,108	17,087,389	57,287,613	2,645,139,389	2.17
					54,395,040	2,574,280,758	2.11
1996	57,458,282	2,689,632,900	768,794	16,494,653	58,227,076	2,706,127,553	2.15
					55,339,428	2,635,531,522	2.10
1997	62,364,416	2,835,168,300	780,290	17,173,715	63,144,706	2,852,342,015	2.21
					59,713,715	2,772,412,336	2.15
1998	56,997,061	2,920,138,600	791,108	17,439,092	57,788,169	2,937,577,692	1.97
					54,835,153	2,855,008,537	1.92
1999	54,102,977	3,096,167,400	631,540	18,304,469	54,734,517	3,114,471,869	1.76
					52,080,784	2,992,047,069	1.74
2000	59,455,277	3,444,768,100	654,431	19,503,400	60,109,708	3,464,271,500	1.74
					57,186,771	3,308,032,200	1.73
2001	67,070,403	3,873,614,700	622,362	18,559,600	67,692,765	3,892,174,300	1.74
					64,293,994	3,672,366,000	1.75
2002	56,758,188	4,526,307,800	394,054	19,550,600	57,152,242	4,545,858,400	1.26
					54,427,635	4,283,599,300	1.27

(1) Second amounts are net of Tax Increment.

NOTE - Valuations are determined as of January 1 of year preceding tax collection year.

TABLE V

CITY OF ROCHESTER, MINNESOTA

**PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS
YEARS ENDED DECEMBER 31, 1992 THROUGH 2002**

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>County</u>	<u>Total</u>
<hr/> Tax Rates (1) <hr/>				
1992	24.320 %	57.801 %	39.046 %	121.167 %
1993	23.815	62.684	38.882	125.381
1994	24.260	66.495	38.187	128.942
1995	25.600	66.061	37.819	129.480
1996	26.695	62.478	38.352	127.525
1997	25.410	66.398	37.095	128.903
1998	28.637	63.224	41.845	133.706
1999	30.961	59.386	47.138	137.485
2000	30.840	60.084	46.645	137.569
2001	29.558	53.146	44.642	127.346
2002	41.376	27.961	58.608	127.945

(1) Percent of Net Tax Capacity Value

<hr/> Property Tax Levies (1) <hr/>				
1992	\$11,521,358	\$27,474,337	\$18,560,016	\$57,555,711
1993	11,889,586	31,350,859	19,471,687	62,712,132
1994	12,580,361	34,409,087	19,855,182	66,844,630
1995	13,896,049	35,877,450	20,571,660	70,345,159
1996	14,746,072	34,518,040	21,223,777	70,487,889
1997	15,147,909	39,582,964	22,150,803	76,881,676
1998	15,678,086	38,817,756	22,945,770	77,441,612
1999	16,087,180	35,126,450	24,549,840	75,763,470
2000	17,600,000	37,895,489	26,674,769	82,170,258
2001	18,970,957	37,894,626	28,702,125	85,567,708
2002	22,480,055	20,866,438	31,898,948	75,245,441

(1) HACA adjusted levy

CITY OF ROCHESTER, MINNESOTA

TABLE VI

PRINCIPAL TAXPAYERS

<u>Taxpayers (1)</u>	<u>2000 (for taxes payable in 2001)</u>		<u>% of Total City Tax Capacity</u>
	<u>Estimated Market Value</u>	<u>Net Tax Capacity</u>	
Mayo Properties	\$154,869,700	\$5,159,306	7.62%
IBM Corporation	45,817,900	1,525,193	2.25
General Growth (Apache Mall)	39,781,400	1,349,544	1.99
BGD5 - LTD Partnership	24,967,900	847,909	1.25
Utilicorp United	17,318,300	587,250	0.87
Kahler	16,394,400	548,804	0.81
Mortenson Properties	14,282,700	484,112	0.72
Seneca Foods Corporation	15,157,200	482,348	0.71
Leslie E Nelson	13,920,300	434,513	0.64
IRET Properties	14,790,600	400,622	0.59
Others	3,534,873,900	55,873,164	82.55
TOTAL	\$3,892,174,300	\$67,692,765	100.00%

(1) Source: Olmsted County Assessor.

TABLE VII

CITY OF ROCHESTER, MINNESOTA

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Levy	Current Collections		Collection of Prior Years	Total Collections	% Total Collections to Total Levy	Total Delinquent Assessments at Year End(1)
		Amount	% of Levy				
1992	\$1,165,562	\$1,094,983	93.94%	\$52,849	\$1,147,832	98.48%	
1993	882,359	815,940	92.47	62,756	878,696	99.58	\$358
1994	881,928	791,793	89.78	61,045	852,838	96.70	844
1995	843,312	771,273	91.46	73,981	845,254	100.23	1,602
1996	754,509	700,979	92.91	36,488	737,467	97.74	268
1997	824,694	778,869	94.44	118,945	897,814	108.87	2,298
1998	741,705	705,641	95.14	24,010	729,651	98.37	2,267
1999	796,969	758,196	95.13	41,706	799,902	100.37	26,152
2000	532,323	516,777	97.08	26,362	543,139	102.03	5,263
2001	600,205	568,471	94.71	22,743	591,214	98.50	30,618

(1) On records of Olmsted County Auditor before allowance for uncollectible.

TABLE VIII

CITY OF ROCHESTER, MINNESOTA

**RATIO OF NET BONDED DEBT
TO ESTIMATED MARKET VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

Levy Year	Gross Bonded Debt (1)	Available For Debt Service	Net Bonded Debt	Estimated Market Value	% of Net Bonded Debt to Estimated Market Value	Estimated Population	Net Bonded Debt Per Capita
1992	\$18,935,000	\$10,125,391	\$8,809,609	\$2,373,793,980	0.37%	74,408	\$118
1993	14,475,000	7,071,205	7,403,795	2,547,970,970	0.29	76,060	97
1994	13,380,000	8,327,072	5,052,928	2,645,139,389	0.19	76,865	66
1995	12,210,000	8,127,499	4,082,501	2,706,127,553	0.15	76,559	53
1996	10,960,000	6,927,824	4,032,176	2,852,342,015	0.14	77,209	52
1997	11,973,080	6,305,983	5,667,097	2,937,577,692	0.19	78,276	72
1998	12,667,080	1,026,904	11,640,176	3,114,471,869	0.37	80,186	145
1999	10,606,025	256,293	10,349,732	3,464,271,500	0.30	82,019	126
2000	36,044,380	3,705	36,040,675	3,892,174,300	0.93	85,806	420
2001	35,828,053	3,056	35,824,997	4,545,858,400	0.79	88,858	403

2001

(1) Excludes: Wastewater Treatment Plant Revenue Bonds
Electric Utility Revenue Bonds

\$8,275,000
36,715,000

\$44,990,000

CITY OF ROCHESTER, MINNESOTA

TABLE IX

COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT
AND LEGAL DEBT MARGIN

December 31, 2001

Direct Debt:

	<u>Gross Debt (1)</u>	<u>Less: Debt Service Funds</u>	<u>Net Direct Debt</u>
General Obligation Debt:			
Supported by Sales Tax Revenue	\$28,383,673	\$2,606	\$28,381,067
Supported by Tax Increments	<u>7,444,380</u>	<u>450</u>	<u>7,443,930</u>
Total	<u>\$35,828,053</u>	<u>\$3,056</u>	<u>\$35,824,997</u>

(1) From Table VIII

Indirect Debt:

<u>Governmental Unit</u>	<u>2001/02 Net Tax Capacity</u>	<u>Net G.O. Debt Outstanding</u>	<u>Debt Applicable to Value in City</u>	
			<u>Percent</u>	<u>Amount</u>
Olmsted County	\$74,746,260	\$311,384	73.09%	\$227,591
I.S.D. #535	63,957,862	72,350,780	84.42	<u>61,078,528</u>
Total City Portion				<u>\$61,306,119</u>

General Obligation Net Direct Debt and Indirect Debt:

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Portion Chargeable to City</u>	
		<u>Percent</u>	<u>Amount</u>
City of Rochester	\$35,824,997	100.00%	\$35,824,997
Olmsted County	311,384	73.09	227,591
I.S.D. #535	72,350,780	84.42	<u>61,078,528</u>
Total General Obligation Direct and Indirect Debt			<u>\$97,131,116</u>

The legal debt limit for municipalities in Minnesota is 2% of the market value of taxable property. This limit applies only to the City's general obligation tax levy bonds and excludes improvement, revenue, tax increment and sales tax supported bonds. The City has no General Obligation debt chargeable against this debt limit at December 31, 2001. The legal debt limit and the legal debt margin are the same...computed as follows...\$4,545,858,400 x 2% = \$90,917,168.

TABLE X

CITY OF ROCHESTER, MINNESOTA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Percent of General Debt Service To General Expenditures</u>
1992	\$0	\$0	\$0	\$33,750,384	0%
1993	0	0	0	35,953,985	0
1994	0	0	0	37,812,238	0
1995	0	0	0	40,404,998	0
1996	0	0	0	41,482,389	0
1997	0	0	0	41,333,693	0
1998	0	0	0	44,278,093	0
1999	0	0	0	46,541,430	0
2000	0	0	0	50,170,252	0
2001	0	0	0	54,066,184	0

This table relates to general bonded debt supported by tax levy only and does not include improvement, tax increment and sales tax bonds.

(1) Includes General And Special Revenue Funds.

TABLE XI

CITY OF ROCHESTER, MINNESOTA

REVENUE BOND COVERAGE
SEWER UTILITY FUND
LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues And Taxes	Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1992	\$7,013,408	\$4,079,374	\$2,934,034	\$1,010,000	\$1,282,647	\$2,292,647	1.28
1993	7,331,825	4,272,732	3,059,093	75,000	1,209,613	1,284,613	2.38
1994	8,067,958	4,393,991	3,673,967	425,000	1,205,112	1,630,112	2.25
1995	7,797,952	4,490,539	3,307,413	575,000	1,179,188	1,754,188	1.89
1996	7,414,662	4,271,338	3,143,324	600,000	1,143,537	1,743,537	1.80
1997	7,650,701	4,376,207	3,274,494	650,000	1,106,038	1,756,038	1.86
1998	8,109,712	4,577,996	3,531,716	700,000	1,065,088	1,765,088	2.00
1999	9,094,645	4,874,292	4,220,353	550,000	565,575	1,115,575	3.78
2000	8,819,470	5,025,474	3,793,996	575,000	538,625	1,113,625	3.41
2001	9,287,829	5,416,409	3,871,420	625,000	509,875	1,134,875	3.41

(1) Before Depreciation

TABLE XI

CITY OF ROCHESTER, MINNESOTA

REVENUE BOND COVERAGE (CONTINUED)
PARKING FUND
LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues	Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1992	\$1,830,695	\$1,040,129	\$790,566	\$323,750	\$316,319	\$640,069	1.24
1993	1,916,578	1,115,285	801,293	0	0	0	N/A
1994	1,960,967	1,141,987	818,980	0	0	0	N/A
1995	1,956,891	1,325,902	630,989	0	0	0	N/A
1996	2,356,212	1,579,336	776,876	0	0	0	N/A
1997	2,478,466	1,582,124	896,342	0	0	0	N/A
1998	2,629,283	1,699,116	930,167	0	0	0	N/A
1999	2,994,388	1,884,561	1,109,827	0	0	0	N/A
2000	3,140,849	2,005,385	1,135,464	0	0	0	N/A
2001	3,219,222	2,051,527	1,167,695	0	0	0	N/A

(1) Before Depreciation

TABLE XII

CITY OF ROCHESTER, MINNESOTA

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Public School Enrollment (3)</u>			<u>Unemployment (4)</u>		
			<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>City</u>	<u>County</u>	<u>State</u>
1992	74,408	\$24,599	8,656	6,263	14,919	3.6%	3.3%	5.0%
1993	76,060	23,364	8,764	6,298	15,062	3.8	3.5	5.1
1994	76,865	24,013	7,695	7,394	15,089	3.7	3.5	4.0
1995	76,559	25,406	7,505	7,702	15,207	3.1	2.9	3.7
1996	77,209	27,413	7,434	7,743	15,177	3.1	3.0	4.0
1997	78,276	28,456	7,305	8,154	15,459	2.2	2.2	3.3
1998	80,186	30,690	7,278	8,460	15,738	1.6	1.6	2.5
1999	82,019	32,359	6,947	8,621	15,568	2.1	2.0	2.8
2000	85,806	33,283	6,911	8,513	15,424	2.8	2.7	3.3
2001	88,858	N/A	6,829	9,040	15,869	2.7	2.5	3.7

Sources: (1) State Demographers Estimate/2000-Census Bureau

(2) Bureau of Economic Analysis

(3) Independent School District #535. In 1994 Middle School was implemented, moving sixth grade to the secondary education level.

(4) Minnesota Department of Jobs & Training

TABLE XIII

CITY OF ROCHESTER, MINNESOTA
BUILDING PERMITS AND PROPERTY VALUES
LAST TEN FISCAL YEARS

Year	Building Permits (1)						Estimated Market Value (2)		
	Residential		Multiple Dwellings	Commercial/Industrial	All Other	Total		Real Estate	Tax Exempt
	No.	Value				Value	No.		
1992	532	\$60,178,835	\$14,698,648	\$33,008,579	\$56,962,085	\$164,848,147	2,223	\$2,219,079,000	\$441,634,000
1993	418	43,611,210	2,135,040	30,013,135	47,431,117	123,190,502	1,913	2,356,494,900	541,197,000
1994	285	29,880,540	6,706,127	39,870,735	84,070,886	160,528,288	1,591	2,530,899,200	543,602,100
1995	263	30,742,591	8,284,706	6,234,954	50,439,331	95,701,582	1,649	2,628,052,000	563,846,200
1996	324	39,630,333	21,703,173	18,806,751	43,815,222	123,955,479	1,897	2,689,632,900	568,388,500
1997	428	55,411,803	22,933,864	30,453,607	90,871,683	199,670,957	2,275	2,835,168,300	586,171,200
1998	532	70,870,692	30,630,426	24,899,581	130,738,907	257,139,606	2,695	2,920,138,600	587,888,400
1999	645	88,993,665	31,737,871	73,818,538	191,481,590	386,031,664	3,060	3,096,167,400	819,313,500
2000	675	91,078,509	61,453,937	75,862,813	201,604,821	430,000,080	3,308	3,444,768,100	873,519,300
2001	817	109,918,621	9,436,966	79,063,377	190,042,283	388,461,247	3,676	3,873,614,700	1,210,176,300

Sources: (1) City Building Safety Department
(2) Olmsted County Assessor

NOTE - Beginning in 2001, the City revised the classifications of residential and multiple dwelling properties.

TABLE XIV

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE
END OF FISCAL YEAR 2001

Type of Coverage and Name of Company	Policy Number	Policy Period		Details of Coverage	Policy Limits	Annual Premium
From	To					
Property, Extended Coverage League of MN Cities Trust (C.O. Brown)	CMC-21943	08/22/01	08/22/02	Building and contents public and institutional property form with replacement cost coverage \$100,000 aggregate deductible Contractors' Equipment, Bookmobile contents, Signs at Rec Center, \$100,000 aggregate deductible	\$104,842,149	\$58,790
Property, Extended Coverage American Protection Ins., Kemper (C.O. Brown)	3NB002713-03	08/22/01	08/22/02	Building & contents at Water Reclamation Plant \$25,000 deductible	99,339,956	59,618
Fire, Extended Coverage Travelers Insurance (C.O. Brown)	P-630-709K7014-TIL-01	09/01/01	09/01/02	Building & contents at Mayo Civic Center \$10,000 deductible, includes money & securities	49,684,569 1,730,622 Personal Prop. 50,000 Money & Sec.	43,400
Auto Liability & Property Damage League of MN Cities Trust (C.O. Brown)	CMC-21943	08/22/01	08/22/02	\$1,000,000 combined single limit, \$100,000 aggregate deductible. Buses carry \$5,000 deductible	1,000,000 10,160,591 Vehicle value	117,532
Comprehensive General Liability Excludes Public Utility League of MN Cities Trust (C.O. Brown)	CMC-21943	08/22/01	08/22/02	BI \$1,000,000 combined single limit. Includes personal injury coverages. \$100,000 aggregate deductible	1,000,000	221,797

TABLE XIV

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE (CONTINUED)
END OF FISCAL YEAR 2001

Type of Coverage and Name of Company	Policy Number	Policy Period		Details of Coverage	Policy Limits	Annual Premium
From	To					
Boiler Insurance Travelers Ins. Co. (Hirman)	BAJBM172X819ATIL-01	08/1/01	08/1/02	Boilers and steam piping in various City buildings. Portable tanks and air tanks, \$1,000 deductible.	\$2,000,000	\$3,008
Money and Securities Lumbermens Mutual Casualty, Kemper Group (C.O. Brown)	3FM 641 095-11	08/22/01	08/22/02	Money & securities inside and outside premises. Includes depositors forgery bond. \$100 deductible. Includes Public Utility.	1,000 to 10,000 per location 50,000 forgery bond.	3,023
Public Employees Blanket Bond American Motorists Ins., Kemper (C.O. Brown)	3FM 641 095-11	08/22/01	08/22/02	Faithful performance blanket bond by position on all employees. Includes Public Utility.	50,000	751
Treasurers' Bond, State Surety Co. (Hirman)	RPO 457120	06/15/01	06/15/02	Bond on City Treasurer	50,000	225
Flood Insurance Redland Ins. Co. (Hirman)	Various	Various		Flood insurance on flood plain property values up to \$200,000 on each building & contents \$4,000 deductible both building and contents	Building 211,100 Contents 27,600	1,004

Continued

TABLE XIV

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE (CONTINUED)
END OF FISCAL YEAR 2001

<u>Type of Coverage and Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>		<u>Details of Coverage</u>	<u>Policy Limits</u>	<u>Annual Premium</u>
		<u>From</u>	<u>To</u>			
PUBLIC UTILITY DEPARTMENT INSURANCE						
Hartford Steam Boiler Inspection and Insurance Co. (C.O. Brown)	STA8352032	12/31/00	12/31/01	<u>Property & Boiler:</u> Blanket Coverage Replacement Cost All Risk Coverage \$25,000 - \$300,000 deductible based on location Includes: Flood Earth movement Data Processing Extra Expense	\$25,000,000	\$200,208
Excess Liability Associated Electric and Gas Insurance (C.O. Brown)	X0342A1A00	12/31/00	12/31/01	\$1,000,000 deductible Includes: Product liability Failure to supply Pollution liability Joint Venture coverage	20,000,000	38,609
General Liability & Auto League of MN Cities Trust (C.O. Brown)	CMC 21117	12/31/00	12/31/01	\$1,000,000 combined single limit \$25,000 deductible per occurrence \$100,000 aggregate deductible	1,000,000	100,924

CITY OF ROCHESTER, MINNESOTA
MISCELLANEOUS STATISTICAL DATA
December 31, 2001

TABLE XV

Date of Incorporation	August 5, 1858
First Charter Adopted	August 22, 1904
Date Present Charter Adopted	April 1, 1962
Form of Government	Mayor - Council
Area:	Square Miles:
1950	5.15
1960	9.21
1965	10.26
1970	14.25
1975	15.84
1980	19.07
1985	23.17
1990	29.76
1995	36.41
2000	43.09
2001	43.40
Miles of Streets:	Miles of Sewer:
Streets - paved 424.8	Storm 178.5
Sidewalks 406.3	Sanitary 361.0
Electric Department:	
Number of customers	41,150
Average daily consumption	3,093 MWH
Annual retail sales	1,128,877 MWH
Miles of distribution line	598
Water Department:	
Number of customers	30,504
Average daily consumption	16,343 CCF
Annual sales	5,965,370 CCF
Miles of watermain	441
Number of fire hydrants	5,342
Number of street lights	6,989
Fire Protection:	
Number of stations	4
Number of authorized employees	99

Continued

CITY OF ROCHESTER, MINNESOTA

MISCELLANEOUS STATISTICAL DATA (CONTINUED)

December 31, 2001

Police Protection:

Number of stations	1
Number of Police Department authorized employees	138
Number of Communications Center authorized employees	25
Jail facilities for adults plus separate quarters for juveniles (1)	138
Part I Crimes	3,447
Part II Crimes	4,285
Total Part I & II Crimes	7,732
Total Arrests for Part I & II Crimes	4,220

Recreation:

Number of acres of parks	2,867
Number of parks	77
Number of playgrounds	61
Number of golf courses	4
Number of swimming pools	2
Number of beaches	1
Number of tennis courts	46

Employees:

Full-time	766
Other	<u>337</u>
Total	1,103

Elections:

Registered voters - last general and municipal election	47,935
Number of votes cast last general and municipal election	40,343
Percentage of registered voters voting	84.16%

Population: (2)

1940	26,312	1970	53,766
1950	29,885	1980	57,906
1960	40,663	1990	70,745
1965	47,797	2000	85,806

(1) Function of Olmsted County

(2) Source: Census Bureau

TABLE XV

CITY OF ROCHESTER, MINNESOTA

MISCELLANEOUS STATISTICAL DATA (CONTINUED)

December 31, 2001

Income and Trade (1)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Effective Buying Income:									
Total EBI (000):									
City of Rochester	\$1,245,234	\$1,359,352	\$1,442,924	\$1,296,863	\$1,335,749	\$1,389,541	\$1,478,205	\$1,672,223	\$1,818,104
Olmsted County	1,842,526	1,977,117	2,093,764	1,886,952	1,943,533	2,037,886	2,174,920	2,356,036	2,555,064
Median Household EBI:									
City of Rochester	\$37,242	\$39,416	\$41,996	\$36,792	\$37,897	\$39,497	\$40,823	\$43,582	\$46,011
Olmsted County	38,207	40,424	42,953	37,820	38,895	40,513	41,821	43,973	46,318
State	33,770	35,731	38,076	32,700	34,346	35,737	37,050	39,126	41,098
Percent of Households With EBI's in Excess of \$20,000:									
City of Rochester	76.9%	78.2%	79.4%	76.0%	76.9%	78.2%	79.3%	80.7%	82.0%
Olmsted County	78.2	79.5	81.0	77.4	78.3	79.0	80.0	81.2	82.6
State	72.9	74.4	76.2	71.2	72.9	74.1	75.2	76.7	78.1
Retail Sales:									
Total Retail Sales (000):									
City of Rochester	\$1,003,759	\$1,098,313	\$1,275,548	\$1,323,956	\$1,346,506	\$1,354,201	\$1,429,128	\$1,861,372	\$2,041,501
Olmsted County	1,066,435	1,165,743	1,356,232	1,398,398	1,422,216	1,441,724	1,526,406	2,256,982	2,470,736
Retail Sales Per Household:									
City of Rochester	\$34,375	\$36,368	\$42,237	\$43,551	\$44,293	\$44,693	\$46,250	\$56,749	\$59,346
Olmsted County	25,331	27,237	31,762	32,445	32,998	33,296	34,456	49,065	51,154
State	20,968	23,020	24,362	25,371	25,661	26,303	27,600	40,086	42,185

Note: The decline in the EBI in 1995 is the result of a reclassification of items included in the calculation of Effective Buying Income.

(1) Source: Sales and Marketing Management, "Survey of Buying Power."

CITY OF ROCHESTER, MINNESOTA

MISCELLANEOUS STATISTICAL DATA (CONTINUED)

December 31, 2001

Education: (1)

Number of schools by type:

Senior high schools (9-12)	3
Middle schools (6-8)	4
Elementary schools (K-5)	17
Nonpublic schools	13
Charter Schools	2
Community Technical college	1

ISD 535:

Number of public school administrative personnel	53
Number of public school support staff	487
Number of public school teachers	1,073
Number of public school paraprofessionals	410
Number of public school students - Birth through 12th grade (including care & treatment, out-of-district and preschool handicapped)	16,123
Enrollment:	
Grades K-5, Elementary	6,829
Grades 6-8, Middle School	3,709
Grades 9-12, Senior High	5,331
Special programs, birth-grade 12	254

Nonpublic school enrollment	3,141
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Home school enrollment	362
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Charter school enrollment	199
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(1) Source: Independent School District #535